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Japan

Sides 'Remain Apart' After Kantor-Fujii Talks

OW0302043494 Tokyo KYODO in English 0419 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Japan and the United States remain apart after talks Thursday [3 February] between U.S. Trade Representative Mickey Kantor and Finance Minister Hirohisa Fujii, a senior Japanese official said.

"There are some differences," the official told KYODO news service, but declined to say whether progress was made.

The official described the talks, which stuck to their 30-minute schedule, as "short and friendly." A finance ministry official, briefing reporters, described them as "serious."

Kantor called the discussions "interesting" as he left the ministry, but declined further comment.

The briefer said both sides agreed to instruct their negotiators to put more "efforts" into successfully concluding the bilateral trade framework talks before a February 11 summit between Prime Minister Morihiro Hosokawa and President Bill Clinton.

But he said Kantor made no demands for politicians to override the Japanese bureaucracy to forge an agreement. The briefer said both sides decided not to disclose further details of the talks.

White house aide Bowman Cutter, who participated in the talks with Fujii, has publicly called for a decision on the thorny trade talks from someone with political responsibility.

As Fujii greeted Kantor [words indistinct] early Thursday, Kantor responded, "We all welcome this as a step in the right direction." The U.S. Government has not had a chance to review all the details of the plan, he said, but added that Washington expects "continued steps" by Japan to boost domestic demand and promote global growth.

Fujii said he expects the government will be able to formally announce its economic stimulus plan Thursday night, incorporating the tax plan, which links the cuts with a new 7 percent "national welfare tax" to replace the current 3 percent consumption tax.

But the timing of the stimulus package appeared in doubt as the governing coalition's biggest member, the Social Democratic Party, has threatened to quit the coalition unless the tax plan is revised.

Socialist officials said the party would decide whether to quit the coalition by the end of the day.

Fujii laughingly noted to Kantor that the "political weather is bad" after Kantor mentioned Thursday's clear weather in Tokyo.

Kantor responded that "the political weather is always difficult."

During their meeting, the two did not discuss the Japanese political situation, the ministry briefer said.

Sanctions 'May Be Unavoidable'

OW0302090894 Tokyo KYODO in English 0859 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—U.S. Trade Representative Mickey Kantor suggested Thursday [3 February] trade sanctions may be unavoidable if a compromise cannot be reached with Japan over establishing numerical targets in bilateral trade relations.

Kantor asked leaders of the opposition Liberal Democratic Party (LDP) for their understanding in the trade framework negotiations, saying that without numerical targets in the automotive, insurance and other fields, the U.S. choices of action would be limited.

Kantor met LDP Secretary General Yoshiro Mori and Ryutaro Hashimoto, a former finance minister and now chairman of the LDP's Policy Affairs Research Council.

Mori, in response, explained Japan's efforts to open its markets but added the idea of numerical targets would have a negative effect on international free trade.

The LDP leaders expressed support for the government's direction in the trade negotiations.

Nations 'Must Continue To Try'

OW0302093694 Tokyo KYODO in English 0927 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—U.S. Trade Representative Mickey Kantor and Prime Minister Morihiro Hosokawa agreed Thursday [3 February] that the United States and Japan must continue to try to achieve progress in bilateral trade talks, the top government spokesman said.

The two were meeting at the premier's official residence, Chief Cabinet Secretary Masayoshi Takemura told a news conference.

"They agreed that it is important for both sides to make further efforts" ahead to the meeting between U.S. President Bill Clinton and Hosokawa in Washington on February 11, Takemura said.

Hosokawa will confer with Clinton to assess progress in the economic talks being held under a bilateral accord concluded last July.

Kantor expressed hope the Clinton-Hosokawa meeting will help the bilateral trade negotiations bear fruit, Takemura said.

The U.S. administration hopes to successfully conclude the framework talks prior to the summit of the two leaders, who met twice last year.

Negotiations on automobile and auto parts trade, government procurement and foreign access to the Japanese insurance market have been stalemated over a U.S. proposal on setting "objective criteria" to gauge the openness of Japanese markets.

Tokyo has refused to accept the proposal, saying such measures would amount to setting aside a specific market share for foreign goods and services, tantamount to managed trade.

Kantor, who came to Tokyo on Tuesday as Clinton's special envoy, did not directly voice dissatisfaction with Tokyo's stance.

On the government's announcement of a 5.3 trillion yen income tax cut, Kantor said it was an appropriate decision but did not elaborate, Takemura said.

Kantor congratulated Hosokawa on his success in getting onto the statute books a set of political reform bills aimed at rooting out corruption in Japanese public life, according to the chief cabinet secretary.

Hosokawa narrowly pushed through his reforms, on which he had staked his political fortunes, by his stated deadline of Saturday, the closing date of the last extraordinary Diet session.

On his arrival at the premier's official residence, Kantor told KYODO NEWS SERVICE that he welcomes Tokyo's decision to slash income tax by 5.3 trillion yen.

"It is a useful step in the right direction," he said.

After emerging from his 40-minute meeting with Hosokawa, the U.S. trade representative said it was "a very good meeting."

W. Bowman Cutter, deputy presidential assistant for economic policy, and Takemura were also present at the Kantor-Hosokawa talks.

Asked if Clinton would move to revive the "Super 301" trade measure through an executive order, Kantor said only, "We'll save that conversation for later."

Kantor said last month the Clinton administration may renew the punitive measure through an executive order in connection with the deadlocked trade talks between Japan and the United States.

The super 301, in effect from 1988 to 1990, required the U.S. Government to conduct an annual review of trade barriers abroad and impose trade sanctions if those barriers were not removed within a year.

On Wednesday, Kantor met with International Trade and Industry Minister Hiroshi Kumagai and Foreign Minister Tsutomu Hata. He also conferred with Finance Minister Hirohisa Fujii earlier Thursday.

Subcabinet-Level Talks With U.S. Scheduled

OW0202170294 Tokyo KYODO in English 1656 GMT 2 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Japan and the United States will hold subcabinet-level meetings in Washington next week to seek a breakthrough in the deadlocked bilateral trade talks, government sources said Wednesday [2 February].

The two countries decided against holding the high-level talks this weekend in Tokyo as originally planned because the prospect of an early breakthrougn is dim, the sources said.

U.S. Trade Representative Mickey Kantor met Japanese Foreign Minister Tsutomu Hata and International Trade and Industry Minister Hiroshi Kumagai on Wednesday, but the two sides failed to narrow the gap over the U.S. demand that numerial targets be set to measure progress in opening Japanese markets to foreign products.

Japanese and U.S. officials are supposed to draw up a progress report on the framework trade talks before Prime Minister Morihiro Hosokawa and U.S. President Bill Clinton meet February 11.

MITI Issues Guidance on U.S.-Made Auto Parts

OW0302113094 Tokyo KYODO in English 1036 GMT 3 Feb 94

["News Focus" by Keiji Urakami: "Private Role Sought in Breaking Auto deadlock"]

[Text] Tokyo, Feb. 3 KYODO—Japan's trade ministry is turning to the private sector to play an increasing role in breaking an impasse in auto trade talks with the United States.

The Ministry of International Trade and Industry (MITI) has implicitly requested major automakers to formulate their own plans for voluntary purchases of U.S.-made auto parts, MITI sources said.

The step, termed by some an administrative guidance, is in response to growing U.S. pressure for Tokyo to establish a specific program for increasing American access to Japan's auto and auto parts markets, ahead of the February 11 meeting between Japanese Prime Minister Morihiro Hosokawa and U.S. President Bill Clinton.

MITI, unwilling to cave in to a U.S. call for Tokyo to use numerical targets as a means of gauging its penetration of Japanese markets, is trying to get the private sector to soften Washington's stance, the sources said.

But the U.S. policy runs the risk of leading to managed trade, a concept the Japanese Government has strongly rejected under the framework talks.

This would run counter to the Hosokawa administration's chief goal of easing government controls on rules and regulations.

Earlier this week, top executives of Japan's three major carmakers—Toyota Motor Corp., Nissan Motor Co. and Honda Motor Co.—were separately called to meet MITI Minister Hiroshi Kumagai, the sources said.

Details of the meetings were not disclosed but they must have discussed the carmakers' foreign parts purchase plans, the sources said.

Asking the auto industry for cooperation may be one idea Hosokawa can take to his meeting with Clinton in Washington, the sources said. But cooperation must not go beyond that made on a voluntary basis, the sources added.

The latest request to the auto industry came after a proposal by a senior MITI official for a more cooperative approach by the private sector, which is designed to increase Japanese purchases of U.S. automobiles and auto parts.

"The cooperation approach" being recommended by MITI is aimed at dispelling "mutual distrust" between Washington and Tokyo in the framework talks, Sozaburo Okamatsu, vice MITI minister for international affairs, said in a recent press conference.

The new cooperation scheme consists of three phases—setting of objective criteria by each automaker in U.S.-made parts buying and other areas, evaluation of buying records in accordance with the criteria on a semiannual basis and deciding whether or not to devise extra steps based on the assessment.

Criteria for Japanese automakers may also cover the number of their dealership chains handling U.S. autos, dealers' records of U.S. car imports and whether the "design-in" cooperative approach between users and makers from the initial stage of development to manufacturing is being adopted by makers.

The cooperation approach is also applied to U.S. automakers by measuring their business efforts based on such criteria as whether products are tailored to meet the needs of Japanese motorists by, for instance, having right-hand steering wheels, Okamatsu said.

Okamatsu said the approach is not like administrative guidance, which he said is inconsistent with Hosokawa's deregulation policy.

Russia's Nikolayev on Violaters of Kuril Borders

OW0302125194 Tokyo KYODO in English 1242 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Russia's frontier forces may open fire on Japanese ships if they violate Russian territorial waters, the commander-in-chief of the forces said Thursday [3 February]. The commander, Andrey Nikolayev, told reporters in Tokyo that about 130 Japanese fishing boats entered waters near the four Russian-held islands claimed by Japan on January 21 and 22 in defiance of Russian border patrols, he said.

Nikolayev criticized these violations as damaging bilateral relations, and said if such violations continue to occur Russian forces will act on the basis of a Russian law which allows them to use arms against border violators, he said.

A high-ranking official of the frontier forces has said the alleged violations were a premeditated provocation with a political purpose.

Nikolayev, however, denied the political angle, saying the boats had entered Russian waters apparently for economic reasons.

The former Soviet Union occupied the four islands off Japan's northernmost main island of Hokkaido at the end of World War II, and Japan has constantly urged their return.

Nikolayev said Russian border guards video-taped the incidents and he is ready to give the tape to the Japanese Government through diplomatic channels. Tokyo is investigating the alleged violations in response to Moscow's protest.

Government To Send Fire Victim Aid to Burma

OW0302065394 Tokyo KYODO in English 0559 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Japan will send 8.77 million yen worth of emergency relief materials to Myanmar [Burma] for the victims of a large fire in Yangon [Rangoon] last month, the Foreign Ministry said Thursday [3 February].

The government will send the goods, which include blankets, sleeping mats and soap, through the Japan International Cooperation Agency (JICA), at the request of the Myanmar government, the ministry said.

A large fire broke out in Yangon on January 24, burning more than 900 houses and affecting over 6,530 people, it said.

Controversy Over Tax Reform Proposal Reported

Hosokawa Statement on Tax Reform

OW0202193794 Tokyo NHK General Television Network in Japanese 1552 GMT 2 Feb 94

[Statement by Prime Minister Hosokawa on tax reform at a press conference from the prime minister's official residence in Tokyo—live]

[Text] I feel sorry that you are invited to this news conference at such a late hour of the night.

With regard to the tax reform, the ruling parities have today entrusted me with the task of working out measures to handle this issue. In this connection, I have prepared a program for an overall reform of the taxation system as stated in the press release that has been distributed among you, and I would like to submit this program to the Diet.

Now, let me explain the major points of this program: First of all, the reduction of such taxes as the income tax and resident tax will amount to a total of 5.5 trillion yen, and this tax cut plan will be put into effect on 1 January 1994. Second, we will create a national welfare tax, though in only a small amount, and abolish the consumption tax. And this plan will be put into effect on 1 April 1997. The taxation rate will be set at seven percent.

At the meetings of representatives of the council on economic issues and of leaders of both the government and ruling coalition that were concluded just now, I obtained their understanding that I am going to submit this program to the Diet as a government proposal. As a result of the implementing this program, revenue for the national finances will be reduced by 18 trillion yen in three years. In other words, the increase of income for the household economy in the amount of 18 trillion yen in three years will have the effect of an upturn in business.

At present, Japan is becoming an aging society at a pace which is several times faster than in the United States or in European countries. And it is our responsibility to build our society into an affluent one that will never lose its vitality, even when becoming an aging society. On New Year's Day, I announced a vision for greeting the 21st century, and I would like to build an affluent society with vitality by promoting this vision. And in the course of promoting this vision, I will take measures to ensure social security and improve our living environment and social infrastructure. And it goes without saying that it will take an enormous amount of expenditure to carry out such a vision.

In studying the existing taxation system—in other words, the framework as to how our people share the burden of taxes—it is noted that too much emphasis has been imposed on income taxation, and too much of a burden has been imposed on those who are in the prime of life. This fact has been pointed out frequently, and if such a situation were left as it is, more and more of a burden would be imposed on those who are in the prime of life, and as a result, they are bound to lose vitality. And I have been repeating that this [current] system will certainly result in such a situation. To support the aging society, we must somehow reduce the burden imposed on those who are in the prime of life. In other words, I feel that we will have to reduce taxation on incomes but raise the rate of taxation on consumption so as to work out a framework based on all the people sharing the cost of supporting the aging population. Since we will be asked to take responsibility for the future, I believe that when viewed from the standpoints that I have just stated, we should never leave the existing taxation system as it is now.

And since I delivered my policy speech to the Diet, I have persistently stated at the Diet sessions held so far that it Is necessary to promote an overall tax reform based on the Tax Commission's recommendations so that a system of well-balanced taxation an incomes, assets, and consumption can be worked out.

With regard to the issuance of deficit-covering bonds, for which no sources of repayment can be secured, I have repeatedly stated that it must be handled with the greatest caution. I have made such remarks repeatedly because I feel that our future generations, who will support the aging society, should not be asked to pay for this burden. At the same time, it goes without saying that the top priority task for the cabinet is to eliminate an idea that future prospects for the economy still remain opaque, and also to ensure that economy will recover in fiscal 1994.

Based on these views, I have just obtained an understanding at the meeting of representatives of the council on economic issues and of leaders of the government and ruling coalition that the government will submit the program, a copy of which has been distributed among you, to the Diet as an official program. And I would also like to seek the understanding of all our people.

This Is the report I wanted to make to you.

Hosokawa Answers Questions 2 Feb

OW0302080394 Tokyo NHK General Television Network in Japanese 1557 GMT 2 Feb 94

[Question-and-answer session with Prime Minister Morihiro Hosokawa by unidentified reporters at the press room of the prime minister's office in Tokyo on 2 February—live]

[Text] [Unidentified dean of the press corps] Reporters from various organizations can now ask questions freely.

[Unidentified reporter] You said the [pump-priming] plan has been approved. Did the Social Democratic Party of Japan [SDPJ] also indicate its approval?

[Hosokawa] The SDPJ—please ask the SDPJ directly for a more accurate account of its views—said that it is impossible for the party to agree to the proposed tax reform that links a tax cut with a tax hike, with the date of implementation clearly stated. It said that while it could agree with certain points in creating a national welfare tax, this new tax has certain aspects that are identical to those of the consumption tax. It wanted the tax cut to be implemented through issuing short-term special government bonds, and it asked that a consultative body to discuss compensatory revenue sources be set up in order to build a consensus. All parties made very tough statements, but in the end, they agreed that because the plan was based on the judgment of the responsible official of the administration, they could not stop the government from proposing the plan, and they agreed that they would not stop the government from doing so. This was the general reaction of the parties.

[Reporter] When did you start to think about this national welfare tax? That is my first question. The second question is: From my reading of this [prime minister's press release], I cannot see how this tax is different from the consumption tax. I think there will be criticisms from the people that only the name has changed. In your opinion, what is the difference between the consumption tax and this national welfare tax?

[Hosokawa] With regard to the national welfare tax, please see item 1, the big 1, the 1 in brackets in this handout. It tells about the nature of the national welfare tax and says that the tax will be used as a source of revenue to build a vigorous and prosperous society even in the era of the aging society. That is indeed the purpose of the tax. While we do not have a clear definition of a special-purpose tax, the purpose of the national welfare tax is completely different from that of the current consumption tax. In a broad sense, we can say that it is a special-purpose tax.

[Reporter] Mr. Prime Minister, when the consumption tax was introduced, there was much talk about using it for welfare purposes. [Former] Prime Minister Uno clearly said during the upper house elections that the consumption tax will all be used for welfare purposes. At that time, Prime Minister Uno did not clarify what he meant. I think Prime Minister Uno did not mean that this will be used as a special-purpose tax; he meant that because welfare expenses were expanding every year, the creation of the consumption tax would mean that much additional revenue would be available for welfare. Is not the new tax just the same?

[Hosokawa] This time, the purpose has been stated more clearly. As I just said, the purpose is evidently different from that of the existing consumption tax. This should be clear even from what is written in the statement distributed to you. There was a lot of discussion about whether we could make the new tax more clearly a special-purpose tax. However, the building of a welfare society is not a simple matter—for instance, building ramps on the edges of sidewalks, or constructing housing units for the aged.... Some may suggest that the use of revenue from the tax be even more limited—for instance, be limited to pensions or to basic pensions. However, welfare can be viewed from various standpoints. Therefore, I believe that the national welfare tax will be more in line with the welfare purpose if we think of it as a special-purpose tax in a broad sense.

[Reporter] May I, Mr. Prime Minister? What is the basis for setting the national welfare tax rate at 7 percent come 1 April 1997, or three years from now?

[Hosokawa] We have presented a vision for the 21st century. We are considering the sources of revenue and other factors. A pension reform will also begin—we have to deal with it—and we need to meet the various needs of the aging society. Under such circumstances, and judging from various viewpoints, we decided that a 7-percent tax rate would be appropriate. The finance minister will give you the details about this. He will speak about this here later.

[Reporter] You have to make it clear here why it is going to be 7 percent three years from now. You have to clarify under your vision for welfare how much revenue would be required for the aging society, and therefore, how much of a tax burden will have to be imposed. Without clear-cut figures, there will be no clear numerical basis. Please be very clear about this.

[Hosokawa] We have not computed the accurate data for the vision for welfare, and this is only a rough estimate. The vision for welfare will only be completed by March. While this is a rough estimate, we have a general idea of the minimum required revenue. Therefore, we came up with the 7-percent figure.

[Reporter] If you are saying that this is a rough estimate, is there a possibility that the figure might change by 1 April 1997?

[Hosokawa] When?

[Reporter] I mean, if this is a rough estimate at this point, is it sufficiently possible that the figure might change by 1 April 1997?

[Hosokawa] No, the percentage will remain unchanged. It will not change. Although I used the term rough estimate, we have made a general calculation. Maybe the expression rough estimate was not appropriate. On the whole, we have come up with definite figures.

[Reporter] But Mr. Prime Minister, raising the existing 3-percent consumption tax to the 7-percent national welfare tax would mean an increase of 4 percent. Based on current revenue from the consumption tax, I think there will be a revenue increase of about 9 trillion yen. However, taking into consideration the planned 6 trillion yen in tax cuts and the amount required for the redemption of government bonds, I think that there will be a tax hike of 1 trillion to 2 trillion yen in April 1997. The idea of balancing income, consumption, and assets you mentioned a while ago is, I think, based on the so-called principle of balancing a tax cut and a tax increase. Could you spell out why the idea has led to a virtual tax increase?

[Hosokawa] It is true that as you mentioned, there will be a tax hike after 1997. However, because the purpose is to establish a tax system which does not put a heavy burden on working generations and which is capable of steadily supporting Japan's aging society, you should not evaluate the tax hike simply from the point of the tax burden.

[Reporter] I would like to confirm what you have said. I think what you have said is that the government will incorporate the national welfare tax revenue into the general accounts budget. Are you going to devise a way to allow the government to use the revenue from the new tax for welfare purpose? For example, a law stipulates what the oil tax should be used for. Will you formulate a way to make it possible for the government to use the revenue preferentially for welfare?

[Hosokawa] As I have said, the national welfare tax will be used preferentially for welfare purposes. My statement here says that the government will legislate the new tax for this purpose. As I said earlier, the revenue will be used not only to pay old-age pensions but also to meet various other demands.

[Reporter] So the tax revenue will not be used specifically for pensions.

[Hosokawa] That is right.

[Reporter] I understand the idea you demonstrated in your statement, but it seems that the revenue from the national welfare tax can be used for any purpose. I think that people would have the impression that the government changed the name of the consumption tax to the welfare tax only to reduce opposition to the consumption tax. Could you explain the differences between the two taxes?

[Hosokawa] My statement here clearly indicates that the government will legislate the new tax whose revenue will be used to realize a vigorous society. I believe that the public will understand the purpose of the new tax if they read this statement. I greatly hope that the people will understand its purpose.

[Reporter] Do you mean to say that despite the fact that it will not be enacted into a law, a commitment will be made that the administration in power at the time will use this tax revenue for this purpose?

[Hosokawa] Well, it will be turned into a legal system.

[Reporter] But the purpose for which the revenue will be used will not be specified. Is that right?

[Hosokawa] That is correct. No purpose for its use will be specified. Yes, that is correct.

[Reporter] Mr. Prime Minister, may I ask a question now?

[Hosokawa] Yes.

[Reporter] Well, it is desirable to make a proposal for such a reform program. Of course, it goes without saying that this program cannot be enacted until the Diet approves it.

Well, then, seeing that someone has brought up the same issue just now, we understand that the SDPJ is opposed to the program. Therefore, I would like to ask you your opinion on whether the program will be passed by the Diet by winning over the SPDJ in your dealings with the Diet sessions from now on. For instance, if the SPDJ should insist on continuing its opposition, what will happen to the current coalition cabinet? Do you plan to seek the cooperation of the Liberal Democratic Party [LDP] in settling this issue? What are your views on these basic questions?

[Hosokawa] To say nothing of the SPDJ's opposition, there are also many people within my own party—the Japan New Party—who are strongly calling for this issue to be handled with great caution. Also, discussions were held today on this issue within all the parties. After very active deliberations within their own parties, party representatives have finally decided what action to take.

Incidentally, the case of the SPDJ was mentioned just now. However, from the government's point of view, and in order to have this bill passed, we will do our utmost—because we have been allowed to make such a decision at the 11th hour—to obtain the understanding of all the parties concerned, let alone that of the SPDJ.

[Reporter] Concerning this issue, I would like to ask you whether changes might be made to the general program that was announced today, while efforts are being made to promote intraparty cooperation, and also whether, Mr. Prime Minister, you gave a briefing on this program to LDP President Kono during your talks with him yesterday.

[Hosokawa] No, I did not talk about this program yesterday because it was only today that this program was brought up for deliberation at the meetings of representatives, of the Council on Economic Affairs, and of the government and ruling parties. Thus, because there was a lapse in time, I did not mention this program.

[Reporter] No sufficient deliberations have been carried out on this program within the ruling parties. And, Mr. Prime Minister, you have put this program before the people all of a sudden. Therefore, the people must have become, shall I say, greatly confused. If this program should be converted into a government proposal without sufficient deliberation being carried out, I am afraid that our people may gain the impression that the proposal was formulated very impetuously. What do you think of this?

[Hosokawa] You have just mentioned deliberations within parties. Please be informed that each party was asked to set up a council on economic affairs last December. At the same time, various issues have been discussed at the meeting of representatives [of the coalition parties]. And if deliberations should be carried out at these forums, there certainly will be numerous issues that will have to be discussed. It is my belief that as far as the coalition parties are concerned, appropriate procedures have already been followed.

[Reporter] It seems to me that no discussions have ever been carried out on the proposal concerning the national welfare tax. What do you say to this?

[Hosokawa] On the basis of the national welfare tax....

[Reporter, interrupting] And it seems to me that no proposal for taxation in the form of the national welfare tax has been presented to the ruling parties for discussion so far.

[Hosokawa] Well, shall I say that this proposal surfaced as we reached the final stage of consultations? Also, deliberations have been carried out on this argument from various points of view. As I have mentioned just now, the basic precondition for carrying out these deliberations lies in the vision on welfare issues that I had disclosed on New Year's Day. Thus, because we have asked for deliberations based on such a vision, I do not think that our proposal has been made impetuously.

[Reporter] Mr. Prime Minister, you promised that there would be multifaceted discussions at the Council on Economic Affairs. However, discussions had virtually ceased while the political reform bills were being deliberated in the upper house. Moreover, according to the briefing we received, a considerable portion of the council's deliberations were devoted to hearing briefings from the Finance Ministry. We have the impression that the Finance Ministry held sway in the council, or that the ministry's views were included uncritically in the plan.

[Hosokawa] That is not at all true. Of course, the financial authorities are supposed to do their job as the keeper of government finances. The ruling coalition parties, and also the administration, spoke from their respective standpoints. For instance, regarding the term national welfare tax or regarding the period of implementation, the ruling coalition parties led the decision-making process.

[Reporter] If you claim that the existing consumption tax is to be abolished and that the national welfare tax is to be created to be used for welfare purposes, I think it would be logically more consistent to designate this as a special-purpose tax for welfare. Why would you include this in the general revenues?

[Hosokawa] I have reiterated this several times tonight. I hate to repeat myself, but it would not necessarily be desirable to limit the purpose to, say, pensions. Considering that welfare today involves various needs in different areas, to meet the welfare needs in preparation for the approaching aging society, we will be more capable of dealing with the needs of the aging society by designating this as general revenue. This was the basis for the decision.

[Reporter] Because the plan does not have the approval of the SDPJ, did you make the decision being fully aware of the danger that this might pose to the administration?

[Hosokawa] Not only the SDPJ. It is true that there are many people in all the ruling parties who have reservations about this issue. This....

[Reporter, interrupting] For instance, some SPDJ members hold the radical view that their party should withdraw its cabinet members from the administration. Do you think that this is unavoidable?

[Hosokawa] It is natural that the cabinet should unite to deal with this issue, and I said to the SDPJ today that I need their cooperation. In this regard, SDPJ cabinet members said that while they are members of the cabinet, they are also party members. They would like to talk with their party. That was what they said, no more and no less.

[Reporter] With regard to the issue of taxation, Mr. Prime Minister, you used to talk about a reexamination of the ratio of direct and indirect taxes, and such other issues. Also, one of your major points has been that the people's understanding is important. All press briefings in the past never indicated that the figure of 7 percent was ever discussed at the meeting of the ruling parties' representatives, or at the Council on Economic Affairs chaired by Mr. Hata. I think you cannot deny the fact that the people will have the impression that this figure came up suddenly today. Do you really think the people will approve of this figure?

[Hosokawa] Deliberations in the Tax Commission are one way of integrating the people's opinions. The decision was made on the basis of prolonged discussions in the commission. Moreover, we have three years [before the welfare tax is implemented], and we are faced with the situation of a rapidly aging population at a rate not found elsewhere in the world. Considering that we have to improve welfare and to deal with the aging society, we can never handle these by irresponsibly issuing deficit-covering bonds. This is not something that a responsible government can do. I am sure we can win the people's understanding on this point.

[Reporter] Mr. Prime Minister, may I? At the time of the political reform bills, you took the position that the government's proposal was the best but that you had to respect the Diet's deliberations. This time, it is expected that there will be a lot of opposition on the issue of the tax rate, or whether the tax should be a strictly special-purpose tax—as has been discussed today—within and outside the ruling parties. Will you still approach this problem by taking the position that the government's proposal is the best but that you have to respect the Diet's deliberations?

[Hosokawa] It goes without saying that I have to respect the Diet's deliberations.

[Reporter] Does this mean that there might be some amendments?

[Hosokawa] Well, I can only say that this would be like the case of the political reform bills.

[Reporter] Tell us why the national welfare tax is to be implemented on 1 April 1997.

[Hosokawa] It has often been pointed out that if [the tax] comes too soon [after the income tax cut is implemented], it would not be effective, that it would not have any effect on the economy. The time lag should be extended as much as possible. From the point of view of stimulating the economy, I think that that is the most sensible decision. And, from the fiscal point of view, we have very limited choices. I made the final decision while giving as much consideration as possible to both factors.

[Reporter] I have heard that most, not some, SDPJ members oppose the new tax. I am sure you plan to enact the bill to introduce the new tax during the current ordinary Diet session. Your answer may change depending on how the LDP will react to the tax, but are you confident in having the bill adopted?

[Hosokawa] What I can say now is that I will do my utmost to win their understanding.

[Reporter] Do you treat the bill the same way as the political reform bills? I mean politically....

[Hosokawa] I am not clear what you mean. But this new tax is one of basic pillars of economic reform. We asked ourselves whether the government should continue having a tight budgetary plan, whether it should implement income tax cuts to pull the nation out of the current recession, and how it should finance the cuts. The introduction of a new tax is the only choice left to the government, I believe. Like political reform bills, it will not be easy to get the bill adopted. It is true that each political party has members who take a cautious approach toward this issue. But I have to seek their understanding. For this, the government intends to make an all-out effort.

[Reporter] If a tax hike is implemented in such a way, many people will have apprehensions that the 7-percent tax ratio will probably be raised to 11 percent in the future. What do you think of this?

[Hosokawa] As I have repeatedly said in Diet interpellations, the government has the chief objective of keeping the national burden rate below 1 percent. I think it is very important to introduce the new tax in such a way that it does not put too much burden on working generations and the generations do not lose interest in working. Based on this idea, I made a decision. I am sure the people will understand if I explain my idea.

[Dean of the press corps] We are running out of time. We would like to conclude this conference with a couple more questions.

[Reporter] There are many points in your explanations that are hard to comprehend. It seems that your decision is based on a speculation that it will be necessary to introduce a new tax three years from now. When you speak to the public, can you tell them that your decision is based on a speculation? I think, unless you beg, the people will not accept your idea.

[Hosokawa] I do not quite understand what you are trying to say. There are demands that to deal with the aging society, a health care, social infrastructure, medicare, and pension system should be improved. I said in a New Year speech that to meet these demands, the government has to ask the people to share a certain level of the burden. As I said earlier, the government has not yet calculated exact figures. But roughly speaking, this expression may not be appropriate as you pointed out, but roughly speaking, the government has decided on or calculated rough figures. I think you understand this.

[Reporter] But earlier you said you cannot give figures. If you have calculated rough figures, you can tell what they are and explain how you obtained them, can't you?

[Hosokawa] As I said earlier, the Health and Welfare Ministry will formulate a welfare vision and finish the work in March. While watching the progress in the ministry's work, the government will decide on the ratio of the national welfare tax and other figures. The government intends to calculate exact figures. My proposal to introduce a new tax is based on this plan.

SDPJ Head Holds News Conference

OW0302074994 Tokyo NHK General Television Network in Japanese 1719 GMT 2 Feb 94

[News conference by Tomiichi Murayama, chairman of the Social Democratic Party of Japan, at the Diet building—live]

[Text] [Dean of the press corps] Now, if there are questions to be asked, please go ahead.

[Reporter] [question indistinct]

[Murayama] That is the way I think.

[Reporter] [question indistinct]

[Murayama] No, since there will be a meeting of the party Central Executive Committee [CEC] tomorrow—I mean today. We will reconfirm the party position at the committee meeting, and inform the prime minister. We will have to draw a clear line one way or another. That will be the steps we will take, I think.

[Reporter] Naturally, cabinet members [of the party] then will entrust you with what to do. Will you pull them out of the cabinet?

[Murayama] I have their understanding that they will follow—in unity—the party's policy decided on at the CEC meeting tomorrow [today]. So, that can happen.

[Reporter] Is it possible that this will not happen?

[Murayama] Well, that would never happen unless the prime minister changes his mind.

[Reporter] If this situation persists, it is possible that the cabinet will resign en masse or the Diet will dissolve for another general election. Of course, you have arrived at this decision after thinking about all this, right?

[Murayama] At the joint meeting [of coalition party representatives], I said that the Social Democratic Party of Japan [SDPJ] cannot agree [to the prime minister's decision] and that a forthcoming decision by the party can affect the cabinet's foundation. I asked him if he was aware of all this when making the decision—even though the prime minister's response to the question was that he was asking for the SDPJ's cooperation so that such a thing would not happen.

[Reporter] Had there been no prior consultations on the matter of raising the consumption tax to 7 percent? [words indistinct]

[Murayama] No, not at all. Actually, I have heard him speak negatively about raising the consumption tax. I have never thought, even in my imagination, that he would make such a decision. It has a new name of public welfare tax, but is, in substance, just a general revenue source. It is not different from the consumption tax. Only its name has changed. Even when the consumption tax was first instituted, the government insisted time and again that money therefrom would be used for welfare. That precedence is only being repeated indeed. Nothing has changed in substance.

[Reporter] Is there no room for the SDPJ to reconsider its position as long as [words indistinct]?

[Murayama] First, the government should present its vision on welfare, and then submit a list of funds needed to carry out projects under such a vision. It should say how much money can be raised from insurance and how much money should come from tax revenue. If this step is taken, maybe the people will be able to agree on the need for the money. But in his announcemen., there is no mention of such a thing, and only a tax rate is presented. However hard he may try to explain it, the people will accept it as raising the consumption tax rate, using a new name—the public welfare tax. I told him so.

[Reporter] To keep the coalition government in power, your party supported the political reform bills even though some in the party were against it. Will not some of your party object to the party's stand on the tax this time?

[Murayama] As long as the prime minister does not change his mind, that sort of thing will not happen, I think.

[Reporter] That means that as long as the prime minister does not change his stand, the SDPJ will come to act as an opposition party [several words indistinct]?

[Murayama] Either way, tomorrow—I mean today—the party will decide on a policy. I will talk about that after that is done.

[Reporter] Will your party object to a budget formulated by the government?

[Murayama] I think it will if the government formulates the budget's taking the tax into it.

[Reporter] Is it impossible for the SDPJ to rethink its policies on such issues as the rice market liberalization, political reform, and so forth now that [words indistinct]?

[Murayama] That is something we can think about—only in the future.

[Reporter] As far as only this tax issue is concerned, is the party in complete agreement?

[Murayama] The CEC makes a decision only with a unanimous agreement. The committee will reconfirm the party policy on that in a unanimous agreement, and then will entrust the party chairman and general secretary with the decision making.

[Reporter] Do you think there are some party Diet members who will not agree to the CEC decision?

[Murayama] No, I think we can make a decision unanimously this time. [laughter from reporters]

[Reporter] In passing the political reform bills recently, even though you disagreed with some government concessions to the Liberal Democratic Party, you decided to support the bills eventually. Is it possible that your stand on the political reforms will now change again?

[Murayama] Our party would like to make a judgment on other matters only after the party's decision on this question has been set. [NHK breaks off relay of the news conference here]

Hosokawa Announces Tax Cuts

OW0202162494 Tokyo KYODO in English 1612 GMT 2 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Prime Minister Morihiro Hosokawa on Thursday [3 February] announced a 6 trillion yen tax reduction plan that includes 5.3 trillion yen in income and resident tax cuts.

Hosokawa, announcing the decision at a hastily arranged news conference, said the coalition government will propose abolishing the 3 percent consumption tax but will instead call for imposing a 7 percent national welfare tax.

The prime minister said the government plans to make the tax cuts retroactive to January 1, 1994, and to impose the new national welfare tax April 1, 1997.

Hosokawa said he has gained agreement at a meeting of top officials of the government and ruling parties.

Hosokawa, SDPJ at Odds Over Tax

OW0202175594 Tokyo KYODO in English 1736 GMT 2 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Prime Minister Morihiro Hosokawa announced early Thursday [3 February] his coalition government has decided to introduce a new 7 percent "national welfare tax" to finance a 6 trillion yen tax cut which will be part of government efforts to boost the sluggish economy.

However, the Social Democratic Party, the largest of the seven parties in Hosokawa's coalition, strongly opposed the plan and threatened to withdraw its ministers from the cabinet.

Hosokawa told a news conference the government wants to introduce the new tax on goods and services April 1, 1997.

Speaking at a hurriedly arranged news conference, Hosokawa said, "the government has decided to introduce a new national welfare tax at a rate of 7 percent, starting from April 1, 1997."

"In tandem with the introduction of the national welfare tax, the current 3 percent consumption tax will be abolished," the premier said.

"The new tax will be introduced to finance the large cost of building up the social infrastructure, improving the people's living environment and financing growing welfare expenditures," he said.

The Hosokawa cabinet will decide Thursday on a 15 trillion yen pump-priming package that will include the tax cuts, officials said.

Hosokawa said part of the additional revenue stemming from the new tax will be used to finance planned tax cuts of 6 trillion yen, of which income and resident tax cuts would account for "5.3 trillion yen."

Asked by a reporter whether the fresh revenue from the new tax would more than offset an immediate revenue shortfall from the 6 trillion yen income tax cuts, Hosokawa nodded.

"Certainly, the new tax measures would result in a net tax increase, starting from fiscal 1997," Hosokawa said, in response to the reporter's allegation that the expected 9 trillion yen annual revenue from the new tax would produce a net revenue increase of up to 2 trillion yen.

Hosokawa said his administration will submit to the Diet a bill that would replace the current consumption tax with the new national welfare tax.

He said his administration will not include a provision that would obligate the government to spend revenues from the new tax solely for the purpose of financing government expenditures related to welfare policy. Items of government outlays on which the revenue from the new tax would be spent "would not be specified" in the text of the new tax legislation, Hosokawa said.

Hosokawa rejected the Social Democratic Party's argument that the introduction of the new 7 percent tax would be tantamount to raising the rate of the current 3 percent consumption tax.

SDP Chairman Tomiichi Murayama told a late night meeting of the leaders of coalition parties that his party cannot accept the new tax unless the government includes wording obliging it to use all the revenue from the new tax for welfare-related expenditures.

The party urged Hosokawa to set up a "special account" inside the state budget—independent from its general account—to ensure that additional revenue be spent to finance welfare-related outlays, while preventing a diversion of revenues to expenditures unrelated to welfare, SDP officials said.

Earlier in the day, most coalition partners agreed to back a proposal by the Finance Ministry to offset the tax cuts of 6 trillion yen with the new 7 percent tax, the officials said.

The SDP, by joining the coalition, has lent vital support to the Hosokawa administration, enabling it to secure a majority in the House of Representatives.

The SDP has many opponents of the consumption tax as it bolstered its parliamentary strength in the 1989 election on an anticonsumption tax platform.

The non-SDP coalition partners tried in vain to persuade the SDP to accept the revenue-balancing plan, they said.

Home Affairs Minister Kanju Sato, an SDP legislator, told reporters, "Prime Minister Hosokawa asked the SDP chairman to accept his tax legislation, but our chairman said the party cannot accept such a proposal."

The coalition tussle has intensified nine days before Hosokawa flies to the United States for talks with President Bill Clinton.

Hosokawa, whose administration is under U.S. pressure to revive the floundering Japanese economy by stimulating stagnant consumer spending, is expected to mention some pump-priming fiscal package featuring a tax cut at the meeting with Clinton.

The non-SDP coalition partners initially tried to alleviate the SDP aversion to the tax by putting forward a proposal to change the name of the tax to "welfare-purpose tax" from "consumption tax," the officials said.

Earlier in the day, SDP Secretary General Wataru Kubo told a meeting of coalition leaders, "the SDP will absolutely not tolerate a raise in the rate of the consumption tax."

However, other coalition partners are calling for the raise to be implemented by the end of 1994, saying they do not want to antagonize voters before a House of Councillors election expected in the summer of 1995.

'Disinformation Campaign' Alleged

OW0202184494 Tokyo KYODO in English 1822 GMT 2 Feb 94

[Text] Tokyo, Feb. 3 KYODO - Social Democratic Party (SDP) [SDPJ] Chairman Tomiichi Murayama said Thursday his party may withdraw its ministers from the coalition cabinet of Prime Minister Morihiro Hosokawa unless he drops a plan to introduce a new 7 percent indirect tax, tentatively named a national welfare tax.

"We may withdraw" the six ministers from Hosokawa's 21-member cabinet, Murayama told a hurriedly arranged news conference in the early hours of Thursday morning in response to a reporter's question on how the SDP would respond if Hosokawa did not change his mind.

If the SDP quits the coalition, the Hosokawa cabinet may have to resign en bloc, political sources said.

Murayama blasted Hosokawa for waging a disinformation campaign in order to implement what he said would amount to a virtual raise in the rate of the current 3 percent consumption tax.

"Even if the prime minister says Japan needs the new tax to cope with an increased welfare outlay for our rapidly aging society, the proposed new tax is tantamount to a consumption tax hike in essence," he said.

He made the statements over an hour after Hosokawa announced that his coalition government has decided to introduce the "national welfare tax" to offset revenue shortfalls stemming from a 6 trillion yen tax cut.

Hosokawa told a news conference the government wants to introduce the new tax from April 1, 1997.

"The new tax will be introduced to finance the large cost of building up the social infrastructure, improving the people's living environment and financing growing welfare expenditures," Hosokawa said.

Murayama said the new indirect tax on sales of most goods and services might dampen consumer spending, saying, "judging from the current recession, it is not wise to introduce such a new tax."

"I told the prime minister that his administration should include wording in the new tax legislation that would obligate the government to use all the revenue from the new tax for expenditures related to welfare," he said.

"However, the premier turned a deaf ear to our party's request," he said.

"With the introduction of the new tax, the administration would only have changed the name of the consumption tax and the revenue, in actuality, will end up being spent for the general account of the state budget," he said.

The Japanese public will never accept the government's argument that the new tax is necessary unless it explains why it needs to introduce such a tax by stating concrete figures and the items of outlays related to welfare which the tax will finance, he said.

SDPJ Threatens To Quit Coalition

OW0302022094 Tokyo NHK General Television Network in Japanese 1715 GMT 2 Feb 94

[Statement by Tomiichi Murayama, chairman of the Social Democratic Party of Japan, at a news conference in the Diet—live]

[Text] There earlier was a joint meeting of the heads of the ruling parties, the Economic Council, and the representatives of the five floor groups. At the meeting, the prime minister gave an explanation.

Following the explanation, I did my best to make it clear that the Social Democratic Party of Japan [SDPJ] cannot agree [to what the prime minister said]. The prime minister insisted that the SDPJ should cooperate. The budget formulation is the responsibility of the cabinet, and the prime minister is in charge of it. As such, I told him clearly that while I am not referring to the budget formulation per se, I cannot agree to the substance of his explanation. Based on that stand, I am now announcing a statement by the party.

Prime Minister Hosokawa today announced the government's basic policy on a tax system reform which will become the basis for formulating the 1994 budget. The policy proposes instituting, in lieu of the consumption tax, a 7-percent public welfare tax in 1997 as a measure to follow 6 trillion yen in tax cuts—including 5.3 trillion yen to be cut from the income tax and residential tax. Our party is unable to agree to this.

While the tax hike plan is proposed as being the introduction of a public welfare tax, there is virtually no difference between it and the consumption tax. Now that the government is being urged to cut taxes as an immediate measure to stimulate the economy, it is wrong to attach a much bigger tax increase, even if it is imposed three years later. The unpopular effects of the consumption tax would not be corrected by the public welfare tax.

Our party has proposed that a specific tax whose revenues would be earmarked for welfare be instituted and further discussions be carried out on the tax rate and on when it should take effect, but our proposal has not been accepted. It is truly regrettable that Prime Minister Hosokawa persisted with the Finance Ministry-led tax reform proposal. Our party believes that a tax system reform must be premised on the assumption that the people agree to it, and it must be one that takes a balance of income, assets, and consumption into account and that is appropriate for the era of the aged population and internationalization.

As far as the consumption tax is concerned, in view of the history of how the system came to be adopted in the first place and of its defects, we have pointed out the need to carry out another review of it—including the possibility of abolishing it altogether—concerning a reform. As for its bearing on the income tax cut, the proposal to raise the rate is not a wise alternative even when considering the existing poor level of consumption.

The policy on a tax system reform announced by Prime Minister Hosokawa does not accept this stand of our party, which is a member of the ruling coalition. The process of reaching an agreement on it has been very inadequate as well. If Prime Minister Hosokawa incorporates the tax hike plan in the budget plan to be introduced at the cabinet meeting, SDPJ cabinet members will not support it. Moreover, it would become extremely difficult for our party to cooperate with the government as a coalition member.

SDPJ Reiterates Threat To Leave

OW0302022894 Tokyo KYODO in English 0203 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The Social Democratic Party (SDP) [of Japan—SDPJ] decided Thursday [3 February] to withdraw its six ministers from the cabinet and quit the coalition government unless Prime Minister Morihiro Hosokawa reviews his plan to introduce a "national welfare tax."

At a meeting of the party's central executive committee, SDP leaders agreed to leave the seven-party coalition if Hosokawa refuses to reconsider the 7 percent rate of the "welfare tax" and the timing of implementing it.

At a predawn news conference, Hosokawa said that the government wants to introduce the tax from April 1, 1997 in place of the current 3 percent consumption tax to offset revenue shortfalls stemming from a 6 trillion yen tax cut.

SDP Chairman Tomiichi Murayama accused Hosokawa at a separate news conference of waging a disinformation campaign in order to implement a virtual raise in the rate of the consumption tax. Murayama said it would be very difficult for the SDP to continue cooperating in the coalition government.

The possible defection of the SDP, the largest group in the seven-party coalition, would bring Hosokawa's government to its greatest crisis since it was inaugurated last August after toppling the 38-year-old rule by the Liberal Democratic Party.

SDPJ Figures Meet With Hosokawa

OW0302055294 Tokyo KYODO in English 0531 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The Social Democratic Party (SDP) [of Japan—SDPJ] threatened Thursday [3 February] to pull its six members from the cabinet unless the government amends its plan to impose a 7 percent "national welfare tax" on goods and services from 1997.

At a meeting of the party's central executive committee, SDP leaders agreed to demand that Prime Minister Morihiro Hosokawa insert into the tax legislation a provision that all the revenue from the proposed tax be used to finance welfare-related outlays only.

The SDP also decided to demand the setting up of a consultative body to study the rate of the proposed tax and the timing of implementing it.

Unless these demands are met, the SDP, the largest party in the coalition, will pull its cabinet ministers from the Hosokawa administration, SDP officials said.

The SDP decision came on the heels of Hosokawa's comments that items of government outlays to be financed by the "welfare tax" would not be specified in the tax legislation.

Koken Nosaka, an SDP executive, told reporters Thursday morning, "we would not be able to help withdrawing from the cabinet" unless the premier dropped his plan to replace the current 3 percent consumption tax with the 7 percent "national welfare tax."

Sadao Yamahana, minister in charge of political reform, and five other SDP ministers met Hosokawa on Thursday and urged him to reconsider his new tax program.

Hosokawa responded by instructing the leaders of the seven coalition partners to band together for a meeting later in the day to work out a consensus on the tax measure.

The tax, whose mechanism is almost identical to that of the current consumption tax, is to be imposed on most goods and services sold in Japan from April 1, 1997.

The SDP, which was in the opposition camp for 38 years of the postwar Liberal Democratic Party (LDP) rule, succeeded in placing six of its legislators in the coalition cabinet last August, after the LDP was ousted from power in a general election.

The SDP had since lent vital support to the coalition government.

The party holds 76 seats in the 511-member House of Representatives, where the coalition now has a combined strength of 261, only five seats more than a simple majority of 256. The LDP has 222 seats in the lower chamber.

In a predawn news conference, Hosokawa said the government decided to impose the indirect tax to offset a revenue shortfall from planned income and corporate tax cuts and to finance the cost of increased welfare expenditures stemming from the rapid graying of society.

The government is expected to include a 6 trillion yen tax cut as a major pillar of a 15 trillion yen pump-priming package planned to be decided before Hosokawa's meeting with U.S. President Bill Clinton in Washington on February 11.

Fujii Denies Net Tax Increase

OW0202191094 Tokyo KYODO in English 1859 GMT 2 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Finance Minister Hirohisa Fujii denied early Thursday that the government's decision to introduce a new 7 percent tax from 1997 would result in any net tax increase after it implements tax cuts worth 6 trillion yen.

He was speaking at a press conference held shortly after the government decided to abolish the 3 percent consumption tax and adopt a 7 percent "national welfare tax" on goods and services in April 1997 that will effectively raise the rate of the current consumption tax.

Fujii said increased revenues from the new tax rate of over 8 trillion yen annually will be necessary from now on, citing 800 billion yen in spending on social welfare, 1.3 trillion yen in government goods purchases and 1.4 trillion yen in repayment of debt principle.

Under a simple calculation, revenues from the new tax will exceed the reduced revenues from the tax cuts by some 2 trillion yen.

Noting that 10 years will be needed to repay bonds worth 18 trillion yen to be issued to cover the tax cuts over three years, Fujii said the decision was a "tough choice" for the ministry but that the government's financial position would continue to be "tough."

On income tax cuts worth 5.3 trillion yen, Fujii said the proportion of national income tax and local residential tax cuts would be "roughly 7 to 3."

Concerning the three-year period before implementation, he said the government wants its stimulus package to be announced Thursday evening to help the economy on a "full-fledge recovery track in fiscal 1994 and a stable growth phase in fiscal 1995," and said the third year would be to monitor growth.

Asked about the use of revenues from the new tax, Fujii said the specifics have yet to be decided but would include pensions and improvement of the social infrastructure linked to welfare.

He vowed to do his utmost to win public support for the tax reform plan but declined to comment on the possibility of further tax hikes.

Given the decision, the tax commission, an advisory panel to the prime minister, is expected to compile its fiscal 1994 tax reform report next Tuesday, calling for widening the middle-income bracket to ease its tax burdens.

Saito: Tax Barely Balances Cuts

OW0302110294 Tokyo KYODO in English 1054 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The 7 percent rate decided for the new welfare tax just barely meets the required amount needed to balance planned income and residential tax cuts worth 6 trillion yen, a top Finance Ministry official said Thursday [3 February].

Vice Finance Minister Jiro Saito told a regular press meeting that if the rate is lowered to 6 percent, the amount of tax cuts must also be reduced.

"Bond redemptions become impossible with a 6 percent rate, an 8 percent rate generates more than enough revenue," he said.

Saito also said his ministry is "not thinking of raising the rate (on the new tax) in the future."

Prime Minister Morihiro Hosokawa decided early Thursday on a new tax plan, calling for the tax cuts, including 5.3 trillion yen in income tax cut and adoption of a new "national welfare" tax in three years to replace the current 3 percent consumption tax.

But the decision, which was made without the approval of the Social Democratic Party (SDP), the largest in the ruling coalition, appears to be set for revision due to that party's strong opposition.

Saito brushed aside reports that the ministry led the government to decide on the plan, saying the naming, timing and scope of the new tax were decided by leaders of the coalition parties.

The ministry just answered their "technical questions," he said.

With the political row delaying announcement of the government's economic stimulus package, which is due Thursday evening, Saito said he hopes the package will be implemented "as early as possible."

Admitting for the first time that past fiscal measures led by additional public works projects failed to lift the economy, Saito said, "the economy remained weak" after only implementing public works projects and "we pin hopes on the income tax cut (as a means of strengthening the economy)."

LDP Official Expresses 'Doubts'

OW0302044594 Tokyo KYODO in English 0432 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—A senior official of the opposition Liberal Democratic Party (LDP) expressed doubts Thursday [3 February] over the government's planned introduction of a new 7 percent "national welfare tax" to finance a 6 trillion yen income tax cut.

Ryutaro Hashimoto, chairman of the party's Policy Affairs Research Council, told a news conference he could not tell the difference between the new tax and the current consumption tax.

But he voiced support for a cut in income tax cut announced at the same time as the welfare tax in a news conference by Prime Minister Morihiro Hosokawa in the early hours of Thursday.

Hashimoto said the income tax cut will encourage spending by consumers and help recovery from the prolonged economic slump.

Hosokawa said his coalition government has decided to introduce a new 7 percent national welfare tax to finance a 6 trillion yen tax cut which will be part of government efforts to boost the sluggish economy.

He told the news conference the government wants to introduce the new tax on goods and services on April 1, 1997.

But the Social Democratic Party (SDP), the largest of the seven parties in Hosokawa's coalition, strongly opposed the plan and threatened to withdraw its ministers from the cabinet.

Former Finance [Minister] Michio Watanabe called Hosokawa's plan to introduce a "national welfare tax" as an "important decision and the sole direction" the government can take.

Replying to reporters' question, Watanabe said opposition voiced by the LDP to the new tax plan lacks explanation on how to balance the planned income tax cut.

The LDP "must explain how to implement an income tax break," said Watanabe, who heads the third largest LDP faction.

He also criticized the SDP's opposition to the "welfare tax," saying the party is not qualified to be a ruling party.

Meanwhile, former Primer Minister Kiichi Miyazawa said the government should give priority to measures to boost the slumped economy which can bring about an increase in overall tax revenues.

Criticizing the government's plan to create the new tax, Miyazawa said he had no idea what basis the figure of 7 percent was set.

"I oppose the discussion (over the tax) without evidence of figures such as economic growth rates," Miyazawa said.

Finance Ministry Faces Pressure

OW0302083494 Tokyo KYODO in English 0814 GMT 3 Feb 94

[By Kohei Murayama]

[Text] Tokyo, Feb. 3 KYODO—The Ministry of Finance faced renewed political pressure Thursday [3 February] after the government earlier announced a new tax plan that complies with the ministry's strong demand to guarantee funding for income tax cuts.

Finance Minister Hirohisa Fujii made light of the issue in his meeting with U.S. Treasury Secretary Mickey Kantor, quipping that "the political weather is bad."

But the Social Democratic Party (SDP) [of Japan—SDPJ]—the largest party in the ruling coalition—continued to demand revision of the tax plan, which was announced in the early hours of the same day by Prime Minister Morihiro Hosokawa without SDP approval.

An SDP official said the party will quit the coalition unless there are changes in the timing and scope of a new welfare tax intended to pay for a cut in income tax.

Hosokawa was quoted by one of his ministers as saying that he may change his decision in line with a compromise reached at a meeting later of coalition party leaders.

Chief Cabinet Secretary Masayoshi Takemura also told a regular morning press meeting that the government is ready to revise the plan. A revision, if made, would be a reversal for the Finance Ministry, which had won its call for the offsetting tax in the face of strong opposition from the SDP.

The plan calls for tax cuts of 6 trillion yen, including 5.3 trillion yen in national income tax and local resident's tax, to be paid for by a 7 percent national welfare tax on goods and services from April 1997 in place of the current 3 percent consumption tax.

In a last-ditch effort to end the continuing row, which appeared likely to delay the announcement of an economic stimulus package due out in the evening, some SDP leaders visited Finance Minister Fujii, but both sides declined to comment on the meeting.

Meanwhile, the ministry issued a detailed report explaining the financial justification for the 7 percent rate of the welfare tax.

The report appeared intended to clarify Fujii's press remarks shortly after the government decision early Thursday in which he denied there would be any net tax increases.

The new tax is expected to generate revenues of some 9.5 trillion yen a year, while the tax cuts total only 6 trillion yen, the ministry said.

As for the net 3.5 trillion in net revenues, it cited some 800 billion yen in additional welfare spending, about 1.3

trillion yen in tax burdens from the new tax on government purchases of goods and services, and repayment of principal of some 1.4 trillion yen for short-term government bonds.

The government needs to issue about 18 billion yen worth of "bridge" bonds to cover the three-year period before implementation of the new tax, and principal repayments will take over 10 years. The repayment period would be longer when including interest, the report said.

In his press remarks, Fujii vowed his utmost efforts to win public support and stressed that revenues would be for social welfare.

Unlike the consumption tax, the new tax would be introduced by a law defining it as "a politically objective tax," Fujii said.

Ministry Clarifies New Tax

OW0302084094 Tokyo KYODO in English 0830 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The Ministry of Finance (MOF) issued a report Thursday [3 February] explaining the financial reasoning behind the 7 percent rate of a new national welfare tax in an apparent bid to win public support for it.

The move also appeared intended to clarify remarks to reporters by Finance Minister Hirohisa Fujii early Thursday denying any intention of a net tax increase in the new tax plan decided by the government.

The plan calls for 6 trillion yen worth of tax cuts, including 5.3 trillion yen in national income and local resident's tax, to be paid for by the new 7 percent tax, to be adopted in April 1997 in place of the current 3 percent consumption tax.

The MOF said the new tax is expected to generate new revenues of some 9.5 billion yen a year, while the tax cuts amount to 6 trillion yen.

Regarding the net revenues of 3.5 trillion yen, it cited some 800 billion yen needed in additional welfare spending, about 1.3 trillion yen in increased burdens from the new tax on government purchases of goods and services, and some 1.4 trillion yen in repayments of principal on bonds.

The ministry estimates that some 18 trillion yen in short-term government bonds must be issued to cover the three-year period before implementation of the new tax, and over 10 years are needed for principal repayments, or longer if interest is included.

Referring to the three-year time lag before adopting the new tax, Fujii told reporters that the government hopes to get the economy on a full-fledged recovery track in fiscal 1994 and into stable growth in fiscal 1995. The extra year is to monitor economic growth, he said.

He pledged utmost efforts to win public support for the new tax and stressed that revenues would go to social welfare.

Unlike the consumption tax, the new tax would be introduced by a law stipulating that it is "politically objective," Fujii said.

Details are yet to be decided but will include pensions and social infrastructure for welfare primarily in line with a government "welfare vision" to be compiled by March, Fujii said.

Meanwhile, Fujii did not rule out the possibility of raising the new tax rate further in future.

Takemura Says Compromise Possible

OW0302041894 Tokyo KYODO in English 0403 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—A government plan to impose a 7 percent tax on goods and services from 1997 has room for modifications in consideration of the strong opposition within the ruling coalition, Chief Cabinet Secretary Masayoshi Takemura indicated Thursday [3 February].

Touching on the resistance from the Social Democratic Party (SDP) to the tax plan, the top government spokesman said at a news conference, "if the SDP's stance stays unchanged today, I am afraid the situation will be serious for the ruling coalition."

The SDP has threatened to quit the coalition government unless Prime Minister Morihiro Hosokawa modifies the plant to introduce a 7 percent "national welfare tax" to replace the 3 percent consumption tax.

Takemura said the government plan might be revised if such a revision would help win public support for the introduction of the tax.

He also expressed hope the government will narrow down differences through dialogue with the SDP, which is the largest contingent in the seven-party coalition.

The chief cabinet secretary said the government and the SDP will hold fence-mending talks Thursday, but he declined to comment on the possibility of the government retracting the tax plan outright.

The planned 7 percent indirect tax is scheduled to take effect on April 1, 1997.

Saying the decision-making process concerning the tax in the face of the SDP's opposition was "unusual," Takemura acknowledged it was not all done in the right manner.

Takemura said there is no change in the Thursday evening schedule of the announcement of a 15 trillion yen fresh economic package that includes the large-scale income tax reduction. But a policy-making body of the coalition was forced to put off a Thursday morning meeting to approve the stimulus program due to a boycott by SDP members.

As a result, the announcement of the additional economic package appears certain to be delayed from the original schedule.

Hosokawa: Willing To Compromise

OW0302062794 Tokyo KYODO in English 0610 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Prime Minister Morihiro Hosokawa on Thursday [3 February] expressed willingness to modify details of a new indirect tax in response to criticism from the largest party in the ruling coalition, a cabinet member said.

Construction Minister Kozo Igarashi, one of the six cabinet members from the Social Democratic Party (SDP), which opposes the new tax, told reporters Hosokawa said he is "ready to modify my decision to introduce the tax if the leaders of coalition partners approve of such change in their meeting."

Hosokawa told fellow Diet members of the Japan New Party that the SDP was "indispensable" for the coalition, adding, "if the ruling coalition tells me to do something, I am not concerned about saving face."

Chief Cabinet Secretary Masayoshi Takemura told a news conference the Hosokawa administration is ready to modify the details of the new indirect tax, tentatively called a national welfare tax.

The chief cabinet spokesman said the administration is ready "to correct the wrong" if it helps defend the unity of the coalition and alleviate public dislike of the new tax proposal.

The premier instructed the leaders of the coalition partners to band together for a meeting on Thursday afternoon to work out a consensus over the issue prior to the announcement of the government's expected 15 trillion yen pump-priming package, coalition officials said.

Hosokawa reportedly plans to cite the package in his summit with U.S. President Bill Clinton on February 11 to alleviate U.S. criticism of what the U.S. sees as Japan's insufficient efforts to rekindle its stagnant consumer spending and whittle down its trade surplus.

Igarashi made the remarks after he and other five ministers from the SDP called on Hosokawa at the premier's official residence to demand a change in the new tax plan.

It was not immediately known whether Hosokawa was ready to comply with the SDP's chief demand to insert into the text of the new tax bill wording that would obligate the government to spend all the fresh revenue from the new tax on welfare.

Under Japan's revenue structure, the government can set up an independent account inside the state budget—apart from its general account—for accepting and disbursing fresh revenues from a new tax, if it wants to spend all the revenues from the new tax for a specific purpose.

Hosokawa's remark came a few hours after the SDP leadership decided to stick to its demand urging the coalition to amend the tax plan and threatened to withdraw its six ministers from the cabinet unless the demand is met.

The SDP criticized the welfare tax as a ploy to persuade the public to accept a virtual tax increase by merely changing the name of the consumption tax.

The new 7 percent tax, whose mechanism is almost identical to that of the current 3 percent consumption tax, is to be imposed on most goods and services.

In a news conference in the early hours of Thursday, Hosokawa said the government decided to impose the new tax to offset a revenue shortfall from planned income tax cuts and finance the cost of increased welfare spending due to the rapidly graying society.

He said the government wants to introduce the new tax to offset a revenue shortfall stemming from the income tax cut of 6 trillion yen, starting from April 1, 1997.

The SDP, which has insisted on the abolition of the consumption tax, bolstered its parliamentary strength in a 1989 House of Councillors election shortly after the then LDP administration of Prime Minister Noboru Takeshita introduced the tax.

Since joining the seven-party coalition, the SDP has been forced to accept compromises over key issues such as the opening of Japan's rice market last year and political reform in January.

The SDP said in December that it opposed a GATT compromise proposal on partially opening the rice market, but had no choice but to abide by Hosokawa's decision to accept the plan.

The party was forced to accept a compromise plan on political reform bills reached between Hosokawa and LDP President Yohei Kono during last-ditch talks, for fear that the SDP's opposition might bring about collapse of the coalition government.

Coalition Considers Compromise

OW0302094994 Tokyo KYODO in English 0939 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Compromise proposals were presented on Thursday [3 February] at a meeting of leaders of the seven coalition parties over a new tax plan proposed by Prime Minister Morihiro Hosokawa to break a deadlock resulting from opposition by the largest party in the government, coalition sources said.

The proposals include nullifying the rate of 7 percent set by Hosokawa for the tax to be imposed on sales of most goods and services, they said.

Instead, the Hosokawa administration should set up a consultative body to enable the coalition partners to debate a new rate for the tax, the sources said.

The compromise calls for part of the revenues from the new tax to be put into a special account, instead of the general account, they said.

The new proposals emerged after the Social Democratic Party (SDP) [of Japan—SDPJ] threatened to withdraw its six ministers from the cabinet unless the coalition upheld the demand to legislate a provision that would funnel all the revenue from the new tax to finance welfare policy measures.

Hosokawa had earlier rejected the SDP's demand to insert into the new tax legislation wording that would obligate the government to spend all the revenue form the tax on welfare.

On Wednesday, the SDP responded sharply to Hosokawa's plan to replace the current 3 percent consumption tax with the "national welfare tax."

Prior to the meeting, SDP Secretary General Wataru Kubo and his Democratic Socialist Party Counterpart Takashi Yonezawa agreed that it is the best way to nullify the new 7 percent tax, coalition officials said. Yonezawa conveyed the accord to Hosokawa by telephone and urged renewed talks on the tax.

Coalition Fails To Reach Accord

OW0302154594 Tokyo KYODO in English 1522 GMT 3 Feb 94

[Text] Tokyo, Feb. 4 KYODO—The ruling coalition parties failed to narrow their differences Thursday over a new indirect tax plan proposed by Prime Minister Morihiro Hosokawa and decided to resume discussions on the issue Friday morning.

Representatives from the seven coalition parties held tough negotiations throughout the day.

A compromise emerged during the talks that revenues from the "national welfare tax" proposed by Hosokawa be solely spent to finance welfare-related expenditures and the rate for the new tax be discussed by parties at a consultative body, coalition sources said.

However, the Social Democratic Party (SDP) [SDPJ], which threatened to withdraw its six ministers from the cabinet unless its demands for amendments to the new tax are met, urged that discussions on the issue last two years, while the government insisted on one year, the sources said.

The Finance Ministry stuck to its demand that the rate for the tax be specified in a tax bill, they said.

Hosokawa announced early Thursday morning the creation of the 7 percent "national welfare tax" on goods and services, to be introduced in April 1997, to finance 6 trillion yen in proposed tax cuts in place of the current 3 percent consumption tax.

Effect on Economic Package Viewed

OW0302084594 Tokyo KYODO in English 0837 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—Chief Cabinet Secretary Masayoshi Takemura indicated Thursday [3 February] the government may not announce the long-awaited economic relief package within the day as planned. Takemura told a press conference, "it may be difficult for the government to decide on the contents of the package by the end of the day."

The ruling coalition is split over whether or not to introduce a new national welfare tax to finance the planned tax reduction, the focus of the economic pump-primer reportedly worth 15 trillion yen, the largest ever.

The Social Democratic Party (SDP), the largest force in the coalition, is dead-set against the proposal and has threatened to withdraw its officials from the cabinet if the government pushes ahead with the plan.

Takemura also said the Democratic Socialist Party, another component of the coalition, urged Prime Minister Morihiro Hosokawa to give up the new tax idea and give further debate to the issue on how to offset the tax cut.

A government source said Hosokawa is unlikely to rethink his decision on the proposal. "The prime minister is determined. I don't think he will change his mind," said the source.

Stimulus Package Meeting Postponed

OW0302114294 Tokyo KYODO in English 1135 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The Economic Planning Agency said Thursday [3 February] it decided not to hold an economic ministers' meeting to decide on the government's fresh pump-priming package during the day. The adoption of the stimulative package, originally scheduled for Thursday, will be put off until Friday or afterward, agency officials said.

'Crisis' Said Facing Hosokawa

OW0302141694 Tokyo KYODO in English 1407 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The government of Prime Minister Morihiro Hosokawa faced the possibility of collapse on Thursday [3 February] after the largest coalition partner threatened to quit the cabinet over his new tax plan.

The crisis delayed the announcement of a long-awaited economic stimulus package because the new "national welfare tax" is designed to finance a planned 6 trillion yen reduction in income and residential tax, the focus of the economic pump-primer reportedly totaling some 15 trillion yen.

Representatives of the seven coalition parties continued last- ditch negotiations to try to break the deadlock Thursday night.

Hosokawa expressed willingness to modify the new tax plan following a threat from the Social Democratic Party (SDP) [of Japan—SDPJ], the largest force in the coalition, that it would withdraw its six cabinet ministers unless Hosokawa drops the new tax plan.

The premier said the SDP is "important" for the coalition, adding, "If the ruling coalition tells me to do something, I am not concerned about saving face," according to Akio Nakajima, a House of Representatives member of Hosokawa's Japan New Party [JNP].

Chief Cabinet Secretary Masayoshi Takemura told a news conference the government is ready to change the details of the new indirect tax.

The chief cabinet spokesman said the administration is ready "to correct the wrong" if it helps to ensure the unity of the coalition and alleviate public distaste for the new tax proposal.

Hosokawa announced early Thursday without getting consent from the SDP that his coalition government has decided to introduce the 7 percent "national welfare tax" to finance the planned 6 trillion yen tax cut in place of the consumption tax.

Hosokawa said the government wants to introduce the new tax on goods and services on April 1, 1997.

The SDP said the "welfare tax" is nothing more than the renaming of the 3 percent consumption tax because its mechanism is almost identical to that of the consumption tax.

The SDP, which has insisted on the abolition of the consumption tax, bolstered its parliamentary strength in a 1989 House of Councillors election shortly after then Prime Minister Noboru Takeshita introduced the tax.

In the negotiations the SDP demanded nullifying the rate of 7 percent and the timing of implementation of the new tax and setting up a consultative body to discuss the tax.

But the talks stalled because the Finance Ministry stuck to the rate of 7 percent, coalition sources said.

Aside from the SDP, opposition to the new tax was voiced by the JNP and Sakigake (Harbinger), both coalition partners, at a meeting of their legislators.

SDP Secretary General Wataru Kubo and his Democratic Socialist Party counterpart Takashi Yonezawa agreed that it would be best to nullify the new 7 percent tax, coalition officials said.

Yonezawa conveyed the accord to Hosokawa by telephone and urged renewed talks on the tax plan.

Shinseito, a key party in the coalition, and Komeito took the leadership in formulating the new tax, and the subsequent row has revealed a power struggle within the coalition, political analysts said.

The political crisis came after the six-month-old fragile Hosokawa government overcame another crisis over political reform last week.

Hosokawa managed last Saturday to hang onto power by reaching a last-ditch deal over the government's political reform bills with the main opposition Liberal Democratic Party.

The prime minister told reporters after the passage of the bills that he had no intention of raising the consumption tax.

Hosokawa scored high public approval ratings following his success in enacting the political reform bills in late January.

Some political analysts attributed the crisis to his arrogance.

The SDP has been frustrated after being forced to accept compromises over key issues such as the opening of Japan's rice market last year and political reform in January since joining the seven-party coalition last August.

The party said in December that it opposed a GATT compromise proposal on partially opening the rice market, but had no choice but to abide by Hosokawa's decision to accept the plan.

The party was forced to accept a compromise plan on political reform bills reached between Hosokawa and LDP President Yohei Kono for fear that SDP opposition might bring about the collapse of the coalition government.

SDPJ Strength Decreases With Departure of Two

OW0302115094 Tokyo KYODO in English 1141 GMT 3 Feb 94

[Text] Tokyo, Feb. 3 KYODO—The Social Democratic Party (SDP) [of Japan—SDPJ] said Thursday [3 February] it has notified the Secretariat of the House of Councillors of the departure of two nonparty members of its parliamentary group.

The defection of the two, Hideo Den and Masao Kunihiro, who voted against the SDP when an upper house plenary session approved the government's package of political reform bills on Saturday, reduces the parliamentary group's membership from 73 to 71.

The party has yet to decide how to deal with a group of other SDP members who rebelled against SDP policy during the vote and opposed the package.

Also on Thursday, former Liberal Democratic Party (LDP) upper house member Chinpei Nozue, now an independent, joined another parliamentary group composed of governing coalition members of the Japan New Party, Shinseito, and the Reform Coalition Party, increasing the group's membership from 26 to 27.

Nozue's defection leaves the LDP with 95 members in the upper house.

Watanabe, Murayama Discuss Political Reform

OW0302080094

[Editorial Report] Tokyo FNN Television Network in Japanese at 2311 GMT on 29 January, in its regularly scheduled "News 2001" program, carries a 41-minute interview with former Foreign Minister Michio Watanabe of the Liberal Democratic Party (LDP). The interview is held at an Asahi Television studio in Tokyo and moderated by newscasters Yuji Kuroiwa and Kaori Matsuyama. Tomiichi Murayama, chairman of the Social Democratic Party of Japan (SDPJ), joins the interview through remote hookup. The interview is also joined by regular guest commentators columnist Kenichi Takemura and Keio University Professor Yoshiaki Kobayashi.

At 2311 GMT, Kuroiwa asks what Watanabe, who was against approval of the political reform bills, thinks of the compromise between Prime Minister Hosokawa and LDP President Kono on the political reform package. Watanabe says: "They (coalition parties) made a compromise and accepted the LDP's proposals with minor changes. I think the LDP deserves 90 points out of 100 if the single-seat constituency system is eventually approved." He admits that he is satisfied with the outcome.

On the LDP executives' performances in dealing with the political reform bills, Watanabe says LDP President Kono and Secretary General Mori have done well. He flatly denies that the LDP became weak- kneed at a crucial moment and made a compromise with the coalition because of the rumor that the public prosecutors office might search offices of some LDP lawmakers on 30 January for their possible involvement in a series of recent construction scandals.

Asked if LDP factions will cease to exist after introduction of the single-seat electoral system, Watanabe says: "Theoretically, factions will disappear if the single-seat electoral system is introduced because there will be no need for the LDP members to compete against each other in elections." Regarding a rumor that Watanabe may secede from the LDP and form a new party, he says that he was just joking when he commented on that matter.

Pointing out that LDP President Kono have moved closer to Prime Minister Hosokawa over the political reform bills, Kuroiwa asks what Watanabe thinks of apparent new movement to settle various issues through policy cooperation between the LDP and the Hosokawa administration. Watanabe explains: "I think this is a very good sign. We are not saying no to everything. We have been saying that the LDP is a responsible opposition party. Shinseito (Japan Renewal Party) is playing the central role in the coalition government. Komeito and the SDPJ joined the coalition of Shinseito, Japan New Party, and Sakigake (Harbinger Party). They said that they would maintain the fundamental policies that the LDP had kept for 38 years. It is quite fine and we can cooperate with them."

Saying that the Hosokawa administration's next major task is to tackle the issue of raising the consumption tax rate, Kuroiwa asks Watanabe if the LDP can cooperate with the Hosokawa administration on this matter. Watanabe says: "It is impossible to implement policies by ignoring the opposition party, which is a major party and has seats close to a majority in the Diet. When the LDP had 300 seats, we gave due considerations to the intentions of the SDPJ, which had only 130-140 seats then. Needless to say, considerations should be given to the intentions of the LDP, which has seats close to a majority. There is no need to fight because they are saying that their fundamental policies are the same as ours."

At 2330 GMT, Matsuyama asks SDPJ Chairman Murayama, who just joined the interview, why his party gave way to the LDP on the issue of corporate donations. Murayama says: "The greatest goal of the recent political reform was to eliminate corporate donations, which are a cause of political corruption. Everybody knows that. Therefore, we intensely devoted ourselves to the pursuit of getting rid of the root of corruption. It would have been nice if our demands were accepted 100 percent. However, cooperation and conciliation are needed in politics. Therefore, we decided to accept it on condition that we will continue to make further efforts to improve it in the future."

Saying that the SDPJ—which was against the introduction of the electoral system combining single-seat constituencies with proportional representation and liberalization of Japan's rice market—gave up many things and made compromises one after another after it joined the coalition, Kobayashi asks Murayama if the SDPJ will give up its resistance to a consumption tax hike as well. Murayama says: "I think it is necessary for us to remain in the coalition to exert efforts to make improvements, even a step or two, while reflecting our opinions in policy matters." Kuroiwa asks: "What is the SDPJ's intention regarding remaining in the coalition government even at the risk of giving up a fundamental part, which the SDPJ thinks is the most important? Murayama explains: "As I said earlier, it is our task to exert our efforts while remaining in the coalition to respond to the people's expectations by realizing our demands."

Kuroiwa asks Murayama to comment on the fact that the coalition ultimately had to accept the LDP proposal on corporate donations due to the SDPJ rebels, who voted against the political reform bills in the upper house. Murayama answers: "Originally, those who voted against the political reform bills were opposing an introduction of the electoral system combining single- seat constituencies with proportional representation. They were not talking about the corporate donations alone, but saying that it was their fundamental stance not to approve the bills. They had their own individual beliefs. I think the problem was that they continued to stick to their beliefs. As you all know, the SDPJ was originally against the single-seat electoral system. After the general election in July, however, the SDPJ finally took action and joined the coalition to answer to the expectations of the people, who wanted us to change the politics. Although we had a heated debate at the party convention, we had no other choice but to accept the combination of single-seat constituencies with proportional representation. Therefore, I was hoping that they would abide by the party decision."

Asked if the SDPJ executive department will bear the responsibility for the recent series of events, Murayama responds: "The party will have many chances, such as an emergency party convention and central committee meetings, to talk about the executive department's responsibility." Matsuyama asks if Murayama will resign from the post of SDPJ chairman to take responsibility, Murayama says: "No, I am not thinking of that."

At 2341 GMT, Kurosawa asks Watanabe what he thinks of increasing the consumption tax rate. Watanabe explains that the government should increase the consumption tax to cover a financial shortfall that is inevitable should the income tax be reduced. He continues to explain short-term economic merits of a decision to increase the consumption tax.

As for a positive impact of approving the political reform bills, Watanabe says: "It is true that it gave the people a sense of relief."

Rice Farmers Aid Totals Record 440 Billion Yen

OW0202132194 Tokyo KYODO in English 1242 GMT 2 Feb 94

[Text] Tokyo, Feb. 2 KYODO—Payments by the government-backed mutual aid funds to farmers to compensate for damage by natural disasters hit a record 439.42 billion yen last year due to the extremely poor rice harvest, government officials said Wednesday [2 February]. The previous record was 248.39 billion yen in 1980, the officials at the Agriculture, Forestry and Fisheries Ministry said.

Under the mutual aid system, farmers pay premiums to a governmental agricultural insurance body and in case of disaster receive insurance money depending on the extent of the damage suffered.

In 1993, Japan's rice crops were the poorest in the postwar period, with the rice crop index remaining at 74, meaning extremely poor. The unseasonably cool, wet summer damaged the growth of rice plants across the nation.

The officials said the ministry has so far paid the money to 1,366,000 farmers, about half the contracted farmers. Per capita payments averaged 321,600 yen, they said.

Damage was most severe in Hokkaido, Miyagi and Aomori Prefectures, they added.

For the payments, the ministry used part of revenue it gained from sales of imported rice, the officials said. The government made a profit by selling imported rice, which is far cheaper than the sum the government pays domestic producers, at the government sale price for domestic rice to protect Japanese farmers.

Black Market Price of Domestic Rice 'Rising'

OW0202123794 Tokyo KYODO in English 1140 GMT 2 Feb 94

[Text] Tokyo, Feb. 2 KYODO—Prices for domestically produced rice are rising sharply in jiyu-mai dealings, or a grey market outside government channels, due to growing speculation that consumers would prefer to buy domestic rice even at higher prices, industry sources said Wednesday [2 February].

Also contributing to the uptrend of rice prices is the fact that the pace of importing rice from such countries as China and Australia has been slower than initially expected, causing concern about the amount of rice available, they said. Rice dealers want to build up their stocks of domestic rice regardless of the rising prices, they added.

In Japan, the government buys about 20 percent of the rice crop and oversees the independent distribution of a further 40 percent.

There is also a grey market supported by rice growers and distributors outside the government's control.

According to the sources, prices for popular domestic rice brands on the black market have shot up since the previous week by an average of 1,000 yen or more for 60 kilograms.

Koshihikari rice, a product of Niigata Prefecture and one of the most popular brands, is now sold for about 41,000 yen per bag. Akita Komachi of Akita Prefecture is 38,000 yen and Sasanishiki of Miyagi Prefecture is 36,000 yen.

The inflation in the grey market will inevitably affect retail prices of rice, they said.

A supermarket in Tokyo's Setagaya Ward is selling Koshihikari for 11,900 yen per 10 kilograms.

"It is selling all right at the price. I suppose consumers do not mind paying a little more for tasty rice," a clerk at the supermarket said.

Retail Market Plans for Imported Rice Viewed

OW0202091294 Tokyo KYODO in English 0902 GMT 2 Feb 94

[Text] Tokyo, Feb. 2 KYODO—Japanese rice wholesalers will start delivering imported rice to retailers in mid-February, mostly without blending the imports with domestic rice, industry sources said Wednesday [2 February]. Japan is expected to import as much as two million tons of rice, including supplies from the United States and Thailand, to make up for a shortage resulting from the worst postwar harvest in 1993.

A major rice wholesaler in Yokohama said Thai rice will be sold at 300 to 320 yen per kilogram, about half the price of domestic rice. Californian rice will sell for about 408 yen per kilogram.

The government is expected to start delivering Californian rice to wholesalers around February 10.

Yamatane Corp., a leading rice wholesaler, said it will sell imported rice without blending it with domestic rice, giving consumers a chance to taste a variety of rice.

Power Industry To Upgrade Safety of Reactors

OW0202072294 Tokyo KYODO in English 0651 GMT 2 Feb 94

[Text] Tokyo, Feb. 2 KYODO—Japan's electric power industry revealed plans Wednesday [2 February] to upgrade the country's boiling water reactors (BWRs) to minimize damage in case of a serious accident. The power industry had previously maintained that technical modifications for the sake of safety were unnecessary because there was very little chance of such an accident with Japanese reactors.

The containers of all BWRs, the reactor type used in the majority of the country's nuclear power plants, will be furnished with pressure valves, which, in case of an accident, would allow surplus radioactive gas to escape to prevent the container from bursting, power industry sources said. Before release into the atmosphere, the gas would go through filters designed to retain its radioactive components, they said.

To prevent damage from a buildup of pressure in pressurized water reactors (PWRs), this reactor type will be equipped with a device that will burn surplus hydrogen gas originating from the reactions in the reactor core.

The safety measures, which will cost several hundred million yen, will be carried out after being approved by the Ministry of International Trade and Industry (MITI) and the nuclear safety commission, but not earlier than next year, the sources said. The power companies will officially submit their upgrading proposals to MITI in March.

France, Germany and other industrialized countries have taken similar measures following major nuclear disasters such as the near meltdown of a nuclear reactor at Three Mile Island in the United States in March 1979, and the Chernobyl disaster in the Ukraine, at that time in the Soviet Union, in April 1986.

In a 1992 report, the Nuclear Safety Commission, under pressure to reassure the public after an accident at Kansai Electric Power Co.'s nuclear power plant at Mihama, Fukui Prefecture, in February 1991 triggered the reactor's emergency core cooling system, urged the Japanese power industry to improve reactor safety. After thorough examination of the commission report the nuclear power suppliers decided to take preventive measures such as improving the coolant capacity of reactors to minimize the risk of a serious accident, the sources said.

NASDA Postpones Launch of H-2 Rocket Again

OW0202220294 Tokyo NHK General Television Network in Japanese 2112 GMT 2 Feb 94

[From the "NHK News" program]

[Text] The large-scale H-2 rocket, developed solely with Japanese technology, was schedued to be launched at 0700 [2200 GMT] this morning [3 February] at the Tanegashima Space Center in Kagoshima Prefecture. But because it was found during all-night inspection work that an airduct attached to the rocket had developed trouble, the launch was again postponed until 0700 tomorrow morning.

The Tanegashima Space Center, from where the H-2 rocket is to be launched, had carried on all-night work since yesterday for the launch of the rocket at 0700 this morning. However, when the doors of the launch pad, where the rocket was installed, were opened a little after 2200 [1300 GMT] last night, it was found that the airduct attached on the top of the rocket was diconnected. Because it takes a long time to reattach the airduct to the rocket, the National Space Development Agency [NASDA] of Japan decided to postpone the launch until 0700 tomorrow morning. According to NASDA, the airduct became disconnected because of a gust of wind. Because it is expected that a soft wind will blow tomorrow, NASDA plans to resume preparation work this evening.

The launch of the H-2 was initially scheduled for 1 February, but because of bad weather the launch had been postponed until today.

North Korea

Daily Supports Foreign Ministry Statement

SK0302101894 Pyongyang Korean Central Broadcasting Network in Korean 0833 GMT 3 Feb 94

[NODONG SINMUN 3 February commentary: "We Do Not Utter Empty Words"]

[Text] The process of peacefully resolving the nuclear issue on the Korean peninsula is now facing a grave challenge. We are at a crossroads as to whether the nuclear issue on the Korean peninsula will be resolved peacefully through talks or whether it will develop into a factor that aggravates tension. This entire situation is fully related to a mean act of betrayal by the United States.

A DPRK Foreign Ministry spokesman released a statement on 31 January and made clear its position on the current crisis. In the statement, we made it clear that if the United States overturns its promise to us after all, we will no longer be bound to our promise to the United States; that if the United States does not intend to hold DPRK-U.S. talks, we have no intention of going through all the trouble [kutaeyo] of holding talks; and that if the United States intends to choose another way, we would choose a countermeasure commensurate with it [kue sangunghan taeung pangdo]. This position of ours stems from the unshakable will and faith of the Korean people, who consider national dignity and sovereignty to be their lives, and defend them to the end, and do not yield to any pressure or blackmail.

The mean act by the United States of having broken faith leads us to make only one choice [uriro hayogum tallinun halsu opke mandulgo itta]. In the two rounds of DPRK-U.S. talks, the United States promised not to use nuclear forces or any other forces or resort to threats to use them. In the 18th contact, the United States publicly expressed its intention of discontinuing the Team Spirit joint military exercises as part of its measure to remove its nuclear threat against us and agreed to open the third round of talks and resolve, in a package deal, the problematic issues concerning fundamentally resolving the nuclear issue on the Korean peninsula. The United States also promised us that inspections would be conducted to purely guarantee the continuity of safeguards [sunsu tamboui yonsoksong pojangul wihan]. However, shamefully, the United States overturned its promise to us. The United States tries to conduct the Team Spirit joint military exercise and other large-scale nuclear war exercises against our Republic at all costs and tries, foolishly, to conduct full-scope inspections [chonmyon sachal] tantamount to a return to the treaty [Nuclear Nonproliferation Treaty], not inspections to purely guarantee the continuity of safeguards.

If the United States intends to overturn its promise to us, we will no longer be bound by our promise to the United States. It is a gangster-like logic that one side may go back on its promise and the other side must keep it. We cannot sit back and watch the maneuvers of the United States to isolate and stifle [korip apsal] us.

If the United States sticks to its attitude as today, we cannot but reconsider our promises to the United States, such as the unilateral suspension of the effectuation of the withdrawal from the Nuclear Nonproliferation Treaty [NPT], freeze of all the nuclear activities, and renunciation of the graphite-moderated reactor system.

The United States, more than anyone else, will be well aware of what the abandonment of such a promise signifies. We have never thought, even for a moment, that the DPRK-U.S. talks is a gift to us by the United States. We have never wanted anything from the United States. Also, we were not ignorant of the ulterior motive of the United States. All we hoped was that the nuclear issue on the Korean peninsula would be resolved peacefully in accordance with the expectation of our people and the world's peace-loving people. This is why we consistently insisted on negotiations with the United States.

If the United States does not have the will to resolve the nuclear issue on the Korean peninsula through talks, then we have no intention of going out of our way to hold the talks. We are not indebted to the United States at all, and we will continue to live without being indebted to the United States.

It is a very foolish calculation, if the United States thinks that we will beg for the talks. Currently, the United States even set a time limit and said that it will be inevitable to move toward the road of taking sanctions if we do not receive the International Atomic Energy Agency's demand to accept a full-scope [chonmyon] inspection. The United States is trying to frighten someone. The United States is not the only one that has measures. The right of choice is not only limited to big powers either. We have ways for countermeasures against any other option by the United States.

What we are saying is not empty talk. We do not like to make empty talk. In reality, when the United States and the international reactionary forces set about to infringe upon the nation's dignity and the country's sovereign right, we answered them by announcing to withdraw from the NPT. When the United States and the South Korean puppets launched the Team Spirit-93 joint military exercise, we took a resolute measure by announcing a semi-state of war.

Our unchanging will is that we do what we say we do. Defending to the end the country's sovereign right and the nation's dignity is the firm determination of our people and the People's Army. We are completely prepared politically, ideologically, militarily, and materially to cope with any kind of unexpected situation.

The United States must not miscalculate our will and determination, and must not underestimate our might. If the United States comes forward with the attitude of putting pressure on us, our attitude for taking a countermeasure will be a hundred times stronger, and this will be carried out into practical action.

It will be good for the United States to have a correct understanding of our Republic, our people, and the People's Army, and act with discretion. There will only be shameful defeat for those who are acting rashly and thoughtlessly.

KCNA Cites Commentary on Statement

SK0302044594 Pyongyang KCNA in English 0421 GMT 3 Feb 94

["We Do Not Utter Empty Words"—KCNA headline]

[Text] Pyongyang, February 3 (KCNA)—If the United States take a stance of pressure against us, our reaction will be a hundred times stronger and it will be carried into practical action, declares NODONG SINMUN in a commentary today. Hailing the January 31 statement of a spokesman for the DPRK Foreign Ministry in connection with the fact that the process of a peaceful solution to the nuclear issue on the Korean peninsula is facing a grave challenge owing to the base perfidy of the United States, the analyst says:

The DPRK's stand stems from the unshakable will and faith of the Korean people who defend national dignity and sovereignty to the end, regarding it as their life and soul and do not yield to any pressure and blackmail.

If the United States intend to go back on its promise to us, we will no longer be bound by the promise we made to the United States. It is a gangster-like logic that one side may reverse the promise between the two sides and the other side must keep it. We cannot sit back and watch the manoeuvers of the United States to isolate and stifle us.

If the United States stick to its attitude as today, we cannot but reconsider our promises to the United States such as the unilateral suspension of the effectuation of the withdrawal from the nuclear non-proliferation treaty, freeze of all the nuclear activities and renunciation of the graphite-moderated reactor system.

We have never considered that the DPRK-U.S. talks is a present of the United States to us. Neither have we wanted something from it. And we are not ignorant of its ulterior intention. We have only wanted that the nuclear issue on the Korean peninsula would be resolved in a peaceful way as the Korean people and the world peace-loving people hoped for. This is why we have consistently insisted on negotiations with the United States.

If the United States is unwilling to settle the nuclear issue on the Korean peninsula through talks, we have no intention to have talks. We are not indebted to the United States for anything and will be able to get on without its favor. The United States is too ridiculous, if it considers that we will beg for talks.

It is not the United States alone that has the expedient and the option is not open only for a big power. We have an expedient to counter any other option of the United States.

We do not like to utter empty words. It is our invariable will to mean what we say. It is the unshakable determination of the Korean people and the People's Army to defend the sovereignty of the country and the dignity of the nation to the end and we are fully prepared politically and ideologically, militarily and materially to cope with any event of contingency.

The United States must not miscalculate our will and determination nor underestimate our might. It had better behave with discretion, knowing well of our people and People's Army.

South's Response to 31 Jan Statement Denounced

SK0302002094 Pyongyang Korean Central Broadcasting Network in Korean 1500 GMT 2 Feb 94

[Text] According to a radio report from Seoul, Yi Yongtok, the South Korean puppet minister of the National Unification Board, on 1 February made groundless, malicious gibberish on the threat to the United States, intimidation against the South, and so forth, pertaining to the 31 January statement of a DPRK Foreign Ministry spokesman.

We cannot but say this is indeed a brigandish sophism completely reversing black and white and is a brazen-faced act, same as a thief yelling, "Stop thief!"

As has already been known, the United States has completely reversed [wanjonhi twijibo opko] its promise made to us during the DPRK-U.S. contact and has urged acceptance of the demand for full-scope inspections put forward by International Atomic Energy Agency Secretariat. Moreover, by designating even the time limit, the United States made a final notice-like threat and menace [choehu tongchopchogin wihyopkwa hyoppak], stating that if the demand is not met, the third round of DPRK-U.S. talks will not be held and the road to sanctions will be advanced.

The United States and the South Korean puppet clique are scheming to stage by all means large-scale nuclear war exercises, including the Team Spirit joint military exercise, against our Republic, and are accelerating on a full scale the deployment of Patriot missiles to South Korea.

This clearly illustrates that the United States has no intent to resolve peacefully the nuclear issue on the Korean peninsula, but is pursuing its aim to crush our Republic with strength.

Remarks by South's Unification Minister Assailed

SK0302042294 Pyongyang KCNA in English 0408 GMT 3 Feb 94

["Who Makes Real Threat?"—KCNA headline]

[Text] Pyongyang, February 3 (KCNA)—The South Korean puppet Minister of the Unification Board Yi Yong-tok, Tuesday let an ugly stream of invectives branding the January 31 statement of a spokesman for the Foreign Ministry of the DPRK as "a threat to the United States" and "an intimidation to the South", according to a radio report from Seoul.

It was a brigandish sophism reversing black and white and a shameless outcry reminding us of a thief crying "stop thief" [sentence received without punctuation mark].

Completely reversing its promise to the DPRK at DPRK-USA contacts, the United States is urging the DPRK to accept the demand of the IAEA Secretariat for full-scale inspections. It has gone the length of setting a deadline and resorting to ultimatum-like threat and intimidation, declaring that it will not have the third round of DPRK-USA talks but seek "sanctions", unless its demand is accepted.

And the United States and the South Korean puppet clique plan to force the "Team Spirit" and other large-scale nuclear war exercises against the DPRK and are pushing ahead in real earnest with the deployment of Patriot missiles in South Korea.

These facts clearly show that the United States has no intention at all to resolve the nuclear issue on the Korean peninsula peacefully but is still pursuing the objective of stifling the DPRK with force at any cost.

It is only too natural that in the current crisis created by the mean and dangerous perfidy on the part of the United States, the spokesman of the DPRK Foreign Ministry declared that if the United States defiantly went back on its promise to the DPRK, the DPRK would no longer be bound by the promise it had made to the United States and, if the United States was unwilling to hold another round of talks, the DPRK had no intention to have it, and that, if the United States wanted to seek another option, the DPRK would choose a countermeasure commensurate with it.

Yet the puppet clique clamoured about "threat" and "intimidation." This is no more than a base attempt to justify their sinister attempt to overpower the North by force of arms.

Our people will never tolerate the dangerous hostile acts and reckless new war provocation moves of the United States and the South Korean puppet clique.

The South Korean puppet clique must act with discretion, mindful that the blasting fuse of a new war is linked to a time bomb at "Chongwadae" [South Korean presidential offices].

Daily Says Kim Yong-sam 'Must Be Overthrown'

SK0302104694 Pyongyang KCNA in English 1027 GMT 3 Feb 94

["Kim Yong-sam Puppet Regime Must Be Overthrown"—KCNA headline]

[Text] Pyongyang, February 3 (KCNA)—NODONG SINMUN in a by-lined article today declares that the Kim Yong-sam puppet regime opposed to the nation, democracy and reunification must be overthrown.

Though less than one year has passed since the self-styled "civilian" regime of the traitor Kim Yong-sam made its appearance, its treacherous nature has been fully laid bare, the article says, and continues:

The regime of Kim Yong-sam is a more anti-national, flunkeyist and treacherous colonial puppet regime than any of the preceding regimes.

There has been not a South Korean ruler who did not beg for the presence of the U.S. troops in South Korea, but there has never been such a ruler who has begged for the permanent occupation of the U.S. troops with a promise to pay more than 3 billion dollars squeezed from the people for their maintenance.

The traitor Kim Yong-sam has opened the South Korean rice market, yielding to the U.S. pressure, which the preceding traitors had not dared to do. This is the biggest treachery.

His first-year record in power is really criminal and treacherous because he has tried not only to do harm to the South Korean people but to slay the fellow countrymen in the North, obeying foreign forces.

Among the successive South Korean rulers there were those who busied themselves in isolating the North but there was no such a traitor as Kim Yong-sam who is rushing about in the East and West, crying for "sanctions" against the fellow countrymen in the North.

The traitor Kim Yong-sam has inflicted bigger sufferings upon the people with a "civilian" fascist repressive rule more truculent than the military fascist dictatorship of the "Fifth and Sixth Republics", while advertising "civilian administration" and "reform politics".

The Kim Yong-sam puppet regime has maintained and reinforced the fascist laws and repressive tools made by the preceding military dictatorial regimes, pursuing a vicious fascist dictatorial rule against the people.

Its anti-national and anti-democratic fascist repressive rule is the most crafty, vicious and brutal despotism of a "civilian fascist" outstripping the preceding military fascist regimes.

It is the blackest crime of the Kim Yong-sam "regime" that it has totally prohibited the dialogues, contacts and visits, seeking North-South confrontation rather than national unity.

The "civilian" treacherous group hay intentionally rendered the situation strained with the resumption of the "Team Spirit" joint military exercises suspended in the waning days of the "Sixth Republic's regime", the freeze all North-South dialogues including the North-South high level talks and foil the exchange of presidential envoys between the North and South.

The "civilian" rulers have not only frozen the dialogues between the authorities but also banned non-governmental dialogues and contacts.

The puppets are now inciting the North-South confrontation continuously while seeking a reckless war in league with outside forces to slay their fellow countrymen in the North.

Leaving intact such a most anti-national flunkeyist regime, a most anti-democratic fascist regime and a most anti-reunification and divisive regime as the Kim Yong-sam puppet regime, it is impossible to realize national independence, democratization of the South Korean society and national reunification.

Kim Yong-sam Accused of Protecting 'Dictators'

SK0302050094 Pyongyang KCNA in English 0435 GMT 3 Feb 94

[Text] Pyongyang, February 2 (KCNA)—Paek Chong-su, secretary general of the National Association of Bereaved Families for Democracy and Reunification, accused the traitor Kim Yong-sam of protecting former dictators.

In an article contributed to HANGYORE SINMUN Jan. 16, he branded Chon Tu-hwan and No Tae-u as the main culprits in illegally seizing "power" through the "December 12 coup". Noting that the traitor Kim Yong-sam "invited" those guys to "Chongwadae" [presidential office] allegedly for "reconciliation", Paek Chong-su said such act could not be overlooked.

There can be no "reconciliation" with Chon-No group, he stated.

South Criticized for 'Rumor' on Russian Loans

SK0202115594 Pyongyang KCNA in English 1046 GMT 2 Feb 94

[Text] Pyongyang, February 2 (KCNA)—The Kim Yong-sam puppet clique is reportedly spreading a false rumor through subsidized papers of South Korea that Russia is going to pay off the "loans" in such a manner as supplying military technology to South Korea.

The falsity of this is well proved, first of all, by the refutation of Russia.

A radio of Russia January 29 said military materials "are being distorted continuously" in South Korea. "There is no contract on paying off the loans with something like military technology," it quoted the Russian Foreign Ministry as saying.

This notwithstanding, the puppets are now spreading lies, fully indicating what despicable political swindlers and offscourings without elementary human morality they are. Falsity, fabrication and deception are intrinsic habits of the Kim Yong-sam traitorous group wearing the "civilian" veil. It is really foolish to forge "relations" and have dealings with such persons, expecting something from them.

Their false propaganda is aimed at inveigling Russia into the frantic anti-DPRK campaign it launched in league with outside forces under the pretext of the non-existent "nuclear problem" of the DPRK. This is not only a political mockery of Russia but an intolerable, undisguised challenge to the DPRK.

The Russian radio said "it seems that somebody wants to inveigle Russia into the complicated situation of the Korean peninsula." This is out of due concern. If Russia was embroiled into the situation of the Korean peninsula which has been brought to the brink of war by the reckless moves of the U.S. imperialists and their lackeys, the situation would be rendered all the more complicated.

Anybody must not do something obstructive to a fundamental solution to the nuclear issue on the Korean peninsula and its peace and peaceful reunification, but do something benefitial to them.

The South Korean puppet clique is obviously scheming to label Russia as a war conspirator by inveigling it into the dangerous developments which may lead to a new war on the Korean peninsula.

It must give up reckless moves of war and confrontation aimed at slaying the fellow countrymen in the North with the backing of outside forces, and promptly stop fooling and doing harm to others.

Hanminjon Reportedly Denounces South Regime

SK0202045994 Pyongyang KCNA in English 0444 GMT 2 Feb 94

[Text] Pyongyang, February 1 (KCNA)—Yi Nam-ho, chief of the mission of the South Korean National Democratic Front (Hanminjon) in Damascus, published a statement denouncing the anti-reunification and anti-national crimes of the traitor Kim Yong-sam, according to a report of Radio Voice of National Salvation from Seoul.

He branded the present South Korean regime as a fascist, treacherous regime seeking confrontation.

He said Kim Yong-sam has intensified the suppression of the people, keeping intact the fascist laws and repressive tools of the "Sixth Republic" through false reforms, wearing the "civilian" veil.

"Kim Yong-sam has driven South Korea deeper into the position of double domination of U.S. and Japan, totally frozen the North-South relations and continuously staged the nuclear war exercises," he noted.

Statements by ROK Party Chairman Criticized

SK0302045294 Pyongyang KCNA in English 0411 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—The Chairman of "the Democratic Liberal Party", Kim Chong-pil, at a press conference Tuesday said that the deployment of U.S. Patriot missiles in South Korea "actually presents no problem" because they are "defensive weapons", according a to radio report from Seoul.

It is only too clear that the projected deployment of Patriot missiles in South Korea practically means an extremely grave development that will frustrate the DPRK-USA talks for a solution to the nuclear issue and increase the crisis of war in the Korean peninsula.

Kim Chong-pil's treacherous balderdash clearly proves how persistently the puppets are trying to bring weapons of destruction into South Korea.

His outcry is no more than a shameless sophism to justify the criminal acts of the puppets in hastening the deployment of Patriot missiles in South Korea.

The South Korean puppet clique must immediately stop their reckless provocative moves to aggravate confrontation and tension between the North and the South by deploying missiles.

U.S. Plans To Start Radio Free Asia Decried

SK0302113194 Pyongyang KCNA in English 1005 GMT 3 Feb 94

["MINJU CHOSON on U.S. Radio 'Free Asia' Project"—KCNA headline]

[Text] Pyongyang, February 3 (KCNA)—MINJU CHOSON in a commentary today brands the U.S. scheme to start the broadcasting of radio "Free Asia" as a shameless interference in the internal affairs intended to instill "the view of the value of American-style democracy" into the DPRK and other socialist countries and independent countries in Asia and thus stifle socialism and undermine the independent regimes in this region. It fully reveals the wild ambition of the U.S. to expand its sphere of domination in the Asia-Pacific region, says the paper.

The Korean people bitterly denounce the U.S. scheme to start the broadcasting and demand its immediate cancellation, the news analyst says, and goes on:

The United States is making a gross mistake. It seems to have profited by its false propaganda offensive in disintegrating the socialist countries in East Europe and bringing them back to capitalism. But such propaganda cannot work on Korean-style socialism in which the leader, the party and the masses are united in one mind.

The Korean people who are closely united behind the illustrious leader are not shaken by any war provocation manoeuvres, threat, blackmail and pressure nor by any yellow wind.

The United States must stop its foolish acts to corrupt and degenerate the Korean people and other people of Asia by base false propaganda and act with discretion.

'Source' Says Pyongyang Wants To Join APEC

OW0302091594 Tokyo KYODO in English 0846 GMT 3 Feb 94

[Text] Beijing, Feb. 3 KYODO—A high-level North Korean official has said his country is willing to join the Asia-Pacific Economic Cooperation (APEC) forum and develop contacts with capitalist countries, an East European source in Beijing said Thursday [3 February].

Kim Chong-u, deputy chairman of North Korea's External Economy Commission, vowed in a conversation with a high-ranking East European diplomat last month to attract foreign investment through wider contacts with such countries, the source said.

According to the source, Kim said North Korea is willing to develop ties regardless of their political systems, "as long as these countries do not object to our political system."

"If we can limit our excessive military expenditure, which is a heavy burden to our economic development, North Korea could quite quickly revitalize the economy and raise the standard of living of its society," he was quoted as saying.

Kim claimed Pyongyang recently began talks with several major U.S. and Japanese auto manufacturers, pharmaceutical and oil firms, the source said.

The deputy chairman, who also supervises the Nachin-Sonpong Free Economic Trade Zone in the Tumen River Delta, blamed military spending and the collapse of the "socialist camp and socialist market" for North Korea's economic difficulties, the source said.

Kim, 52, considered a strong reform-minded leader, said, "North Korea would like to join APEC and benefit from the fact that it is located in Asia, the fastest growing region in the world."

Last December the nation's economic policy was declared a failure at a plenary session of the Workers'

Party and one based on development of agriculture, light industry and trade, and strong foreign trade was implemented.

Chairmen of Chongnyon Offices Meet in Tokyo

SK0302115494 Pyongyang KCNA in English 1032 GMT 3 Feb 94

[Text] Tokyo, February 1 (KNS-KCNA) [dateline as received]—A meeting of chairmen of the metropolitan and prefectural offices of the General Association of Korean Residents in Japan (Chongnyon) was held in Tokyo over January 27-28.

Yi Chin-kyu, first vice-chairman of the Central Standing Committee of Chongnyon, delivered a report, which was followed by speeches.

The speakers called for making a new advance in strengthening Chongnyon as a chuche-based organization of overseas Koreans united in one mind, true to the new year's teachings of the great leader President Kim Il-song.

They vowed to fully establish the chuche-based leadership system in Chongnyon by invigorating the movement for learning from the greatness of the dear leader Comrade Kim Chong-il. They also resolved to make Chongnyon a patriotic organization full of vitality with its roots struck deep among the compatriots by strengthening its branches and chapters, radically enhancing the role of organizations of various social strata and thus uniting a greater number of compatriots.

Japanese Report on 'Comfort Women' Cited

SK0302122194 Pyongyang KCNA in English 1037 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—The director of the South Korean council for measures on the volunteer corps question January 29 stated that five South Korean women who had been forced to serve the army as "comfort women" decided to bring a suit at the Tokyo district public prosecutor's office, according to the Japanese paper MAINICHI SHIMBUN.

They said the Japanese imperialists' act of forcing women to serve the army as "comfort girls," which deprived them of the last vestige of self-respect and trust in humanity was fiendish crime unprecedented in human history, and demanded that the Japanese prosecution punish those responsible for the establishment of the system of "comfort women for the army" and the assaulters, said the paper.

Japanese Group Denounces Anti-DPRK Propaganda

SK0302121994 Pyongyang KCNA in English 1039 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—Keiko Tsuwa, chairperson of the Japan Women's Council, in a letter of request to the prime minister on January 25, denounced it is an anachronistic act that the Japanese authorities charged a trade company with "suspected violation of Cocom [Coordinating Committee for Multilateral Export Controls]" and linked it with the Democratic People's Republic of Korea.

She expressed concern over the anti-DPRK, anti-Chongnyon false propaganda of the Japanese Government and press and demanded that the government make apology and compensation for colonial domination and strive to improve Japan-Korea relations.

Turkish Party Leader Supports Reunification

SK0302122994 Pyongyang KCNA in English 1044 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—Chairman of the Workers' Party of Turkey Dogu Ferincek, when he received the chief of the Korean general mission in France on January 28, said that the Workers' Party [WPK] of Korea was victoriously advancing socialist construction, pushing aside all machinations of the imperialists because it has achieved the singlehearted unity of the leader, the party and the masses under the wise guidance of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il.

"Loyalty to the socialist cause and resolute anti-imperialist position maintained by the WPK gives a great encouragement to the communists of the world who are struggling for socialism," he stressed, and went on:

"The Workers' Party of Turkey [WPT] deems it great happiness to have friendly relations with the powerful WPK, greatest in the world. It will actively strive to learn from the idea and theory of Comrade Kim Il-song and Comrade Kim Chong-il on revolutionary party building."

He said he regards it as the revolutionary duty of the WPT to support the struggle of the Korean people for the independent and peaceful reunification of the country. He declared his party would conduct a powerful solidarity movement for supporting the struggle of the Korean people to achieve the reunification of the country in the 1990s in accordance with the ten-point programme of the great unity of the whole nation for the country's reunification advanced by the great leader Comrade Kim Il-song.

Malaysian Party Leader Receives WPK Delegation

SK0302044994 Pyongyang Korean Central Broadcasting Network in Korean 2300 GMT 30 Jan 94

[Text] Datuk Mohamad bin Rahmat, secretary general of Malaysia's United Malays National Organization, received a Workers' Party of Korea [WPK] delegation on 27 January led by Kim Yang-kon, deputy director of the WPK Central Committee.

During the meeting the head of the delegation asked the secretary general to convey the greetings of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il to Datuk Seri Dr. Mahathir bin Mohamad, prime minister and president of the United Malays National Organization in Malaysia.

Expressing deep gratitude, the secretary general asked the head of the delegation to convey the greetings of his party's President Datuk Seri Dr. Mahathir bin Mohamad to the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il.

The secretary general spoke of actively developing the relations between the two parties and stressed that he hopes the peaceful reunification of Korea will be achieved as soon as possible.

Mozambican Amity Committee Supports Chuche Idea

SK0302045494 Pyongyang KCNA in English 0433 GMT 3 Feb 94

[Text] Pyongyang, February 2 (KCNA)—Jose Fanequico, executive secretary of the Mozambican Committee for Friendship with the People of the Democratic People's Republic of Korea issued a statement to the press on January 21 under the title "Chuche Idea is Greatest Idea Based on Philosophical Principle That Man is Master of Everything and Decides Everything".

Noting that Comrade Kim Il-song, the respected leader of the Korean people, has put forward the greatest anthropocentric idea that guarantees human emancipation and boundless happiness for the people, he said this is no other than the great immortal chuche idea.

"The dear leader Comrade Kim Chong-il is further developing and enriching the chuche idea," he said, and continued:

"The imperialists are most afraid of the truth that man is master of everything and decides everything, because they consider the popular masses their slaves and the target of exploitation.

"The imperialists are now most afraid of Korean-style socialism with the chuche idea as a guideline and the singlehearted unity of Korea.

"Genuine popular politics cannot be administered where there is no such a great anthropocentric idea as the chuche idea." Pointing out that "the chuche idea brings eternal freedom and happiness to the mankind, he stressed this is proved by the realities of Korea."

Cuban Lawyer Praises Kim Il-song, Country

SK0302114994 Pyongyang KCNA in English 1011 GMT 3 Feb 94

["'Comrade Kim Il-song, Great Man With Warm Humanity'"—KCNA headline]

[Text] Pyongyang, February 3 (KCNA)—Cuban lawyer Candelaria Rodriguez, who had visited Korea, said in a press interview in Havana on January 28 that Comrade Kim Il-song is a great man with humble, simple and warm humanity;

She was sent to Korea as a Cuban delegate of the fact-finding team of the Women's International Democratic Federation to investigate into the atrocities and crimes committed by the U.S. imperialists against the innocent Korean people during the period of the Korean War (June, 1950 - July, 1953).

She, who visited Korea in 1963 and 1993, expressed her impressions:

What astonished me greatly during my visit was that wonderful and great monumental edifices and modern streets such as Kwangbok Street, Tongil Street and Changgwang Street had been built like a forest in a matter of a few years. Pyongyang has been turned into a city of world level with 30-40-storeyed buildings.

The food, clothing and housing questions have been completely solved in Korea.

It is a beautiful trait that everybody lives evenly and equally in harmony, helping and leading each other forward.

The Korean art has combined what is traditional with what is modern.

The great leader Comrade Kim Il-song praised me as a comrade-in-arms of the Korean people and a revolutionary fighter when he received me. This cannot but be a great honor to me, an ordinary woman of Cuba.

Referring to the question of Korea's reunification, she said:

The great leader Comrade Kim Il-song put forward the "10-point programme of the great unity of the whole nation for the reunification of the country" that is acceptable to all Koreans in the North and the South and overseas.

I am not a politician but I believe that Korea will certainly be reunified in the 90s.

The reunification of Korea is a long-cherished desire of the entire Korean people.

Comrade Kim Il-song and Comrade Fidel Castro are the outstanding leaders of the world and socialism is sure to win as long as it is led by the two leaders.

Comrade Kim Chong-il is the successor to the revolutionary cause of Comrade Kim Il-song.

WPK Greets New French Communist Party Leader

SK0302121094 Pyongyang KCNA in English 1045 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] sent a message of greetings to Robert Hue January 30 upon his election as national secretary of the National Committee of the French Communist Party.

The message expressed the belief that the friendly and cooperative relations between the two parties would further develop on good terms in future, and wished him success in his responsible work for the implementation of the decision of the party congress.

Mexican Paper Writes on WPK 'Independent Policy'

SK0202045194 Pyongyang KCNA in English 0442 GMT 2 Feb 94

[Text] Pyongyang, February 1 (KCNA)—The professor of the Puebla State University of Mexico, Miguel Alba Vega, recently dedicated an article titled "Independent Policy of WPK [Workers' Party of Korea]" to the paper CAMBIO.

The independent policy of the Workers' Party of Korea for the accomplishment of the socialist cause is expressed in working out all lines of the revolution and construction in the interest of its people and in conformity with the realities of its country. The article said, and went on:

However good the experiences of other countries may be, President Kim Il-song never introduces them if they are not suitable to the realities of his country and the interest of his people.

Korea firmly maintained the line of building a self-supporting national economy when the revisionists forced it to enter an economic league, advertising about profitableness.

It is thanks to the wise leadership of the president that the WPK has had no a slightest deviation in its nearly 50-year-long guidance to the revolution and construction.

The independent policy of the WPK is also expressed in solving all problems arising in the revolution and construction on the principle of self-reliance.

The president, believing in the people and depending on them, led the anti-Japanese revolutionary struggle and the fatherland liberation war against the U.S. imperialists to victory as well as the construction of a new country after the liberation, the post-war rehabilitation and construction and the socialist revolution to victory.

The WPK's independent policy is surely guaranteed by the principle of chuche in ideology, independence in politics, self-sustenance in economy and self-reliance in defence.

The Democratic People's Republic of Korea has now turned into a socialist country steadily developing on its own foot, not being subordinate or dependent.

This is the result of the independent policy with which the Korean people value independence and dignity more than their lives and allow nobody to trample down national independence.

Letters From Various Countries Support Leader

SK0302115894 Pyongyang KCNA in English 1035 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—Letters to the great leader President Kim Il-song were adopted at a meeting and joint seminars on his New Year address held in Georgetown, Guyana, Harare, Zimbabwe and Lima, Peru.

The letters say that the proposal to realise the reunification of the country in the form of confederation based on one nation, one state, two systems and two governments put forward by President Kim Il-song in his New Year address is the most realistic and fair one suitable to the conditions of Korea.

They express firm solidarity with the Korean people in their just struggle to resolve the nuclear issue of the Korean peninsula through dialogue and negotiation.

They promise strengthened support and solidarity for the struggle of the Korean people for national reunification this year and wish President Kim Il-song good health and long life for the victory of the socialist cause and a world-wide victory of the cause of independence.

Daily Calls Kim Chong-il 'Great Strategist'

SK0102111394 Pyongyang KCNA in English 1047 GMT 1 Feb 94

["Invincible Is Cause of Korean-Style Socialism Led by Great Strategist"—KCNA headline]

[Text] Pyongyang, February 1 (KCNA)—The cause of socialism continues advancing triumphantly in Korea, unshaken by any challenge and manoeuvres of the imperialists. The key to this advance is the guidance of this cause by the dear leader Comrade Kim Chong-il, a great strategist of revolution.

NODONG SINMUN says this in a by-lined article today.

The article says Comrade Kim Chong-il is leading the revolution and construction of our age to victory with rare wisdom and ever-victorious, chuche-based strategy and tactics.

Noting that the Korean people are able to successfully accomplish the revolutionary cause of chuche as they have the dear leader at the head of the party and the revolution in the historical period in which the cause of socialism is being carried to completion, the article says this is a great fortune and happiness for the Korean people.

The article quotes the great leader Comrade Kim Il-song as saying:

"Comrade Kim Chong-il is a true leader of the people, possessed of literary and military accomplishments and loyalty and filial piety. He is an outstanding thinker and theoretician, politician and military strategist and the pattern of those infinitely loyal and devoted to the country and the people."

The article says:

The history of the dear leader's leadership of the revolution and construction is recorded with brilliant leadership of a great strategist of the revolution who has led the socialist cause of our age along a straight path to victory with ever-victorious strategy and tactics.

His traits as a great strategist of the revolution find graphic manifestation in that he, with a scientific insight into the requirements of the time and revolution, clearly indicates all the strategic and tactical questions arising in accomplishing the cause of socialism.

His greatness as a strategist of the revolution is well illustrated by the fact that, after the collapse of socialism in some countries, he has given a clear exposition of strategic and tactical questions for rebuilding the socialist movement on a new foundation and leading it to a constant upswing.

The traits of the dear leader as a great strategist of the revolution find expression also in that he has led socialist construction to a success, overcoming difficulties with tactical resources, and has effected a steady upsurge in revolution and construction with bold and ambitious operations.

He employs mysterious tactics of turning adversity into favorable circumstances and turning a misfortune into a blessing in face of any formidable enemy and vast tasks of the revolution. It is the source of invincible strength that makes it possible to actively overcome the difficulties in the revolution and constantly make an impressive advance in the revolution and construction.

All the operations shaped by him are far-sighted ones foreseeing the distant future of the revolution. They are characterized by unexcelled grit, skilful organizational ability and revolutionary sweep which guarantee greatest successes in the shortest period through the mobilization of all forces.

The article further says:

The great strategy and tactics of the dear leader who plans all the work in a bold and ambitious way are most revolutionary ones based on unquestioned trust in the popular masses.

It is because he is possessed of matchless intelligence and scientific insight that he has been able to map out great strategy and tactics one after another to bring the socialist cause of our age to accomplishment.

The unexcelled grit and will unshaken under any stress and storm are the secret of his advancing great strategy and tactics for leading the revolution always to victory under any circumstances.

Comrade Kim Chong-il is, indeed, an outstanding leader of the socialist cause of our age, who is possessed of the qualities and traits as a great strategist of the revolution on the highest level.

Visits to Kim Chong-il's Birthplace Increasing

SK0202144394 Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 1 Feb 94

[Text] As the meaningful February holiday approaches, our people's heart running toward the revolutionary holy place where General Kim Chong-il, an ever-victorious and iron-willed brilliant commander, was born is all the more palpitating.

The number of observers and visitors who come to see the old home of the secret camp of Mt. Paetu with the heart of boundless thanks to and admiration for Supreme Commander Comrade Kim Chong-il, who defends the destiny of the fatherland and nation, leads the chuche-oriented socialist cause of our own style to the brilliant victory, and invariably leads the van of the revolution by going through violent storms, is increasing day by day.

According to the data compiled, the number of observers and visitors who toured the old home of the secret camp of Mt. Paetu, the revolutionary holy place, ran up to approximately 1.7 million by the end of last year since its opening.

On the occasion of the auspicious February holiday, the number of observers and visitors touring the old home of the secret camp of Mt. Paektu is sharply increasing.

Soldiers Praise Kim Chong-il for Art Works

SK0202121094 Pyongyang Korean Central Broadcasting Network in Korean 1200 GMT 1 Feb 94

[Text] Our soldiers of the People's Army actively wage activities to create literary and art works praising the greatness of our Supreme Commander General Kim Chong-il. This reflects the soldiers' limitless trust in and boundless loyalty to our Supreme Commander General Kim Chong-il. The soldiers, who created and announced more than 700 pieces of literary and art works during last year, continue to create many literary, art works this year.

The works emphatically sing of the great honor and pride of the soldiers of the People's Army who are advancing along an ever-victorious road under the leadership of the Comrade Kim Chong-il, an iron-willed brilliant commander possessed of extraordinary military intelligence and great commandership. The works also displays well their single-hearted unity, and steadfast faith and fiery pledge to remain unfailingly loyal to the supreme comrade leader by wholly devoting their destiny and future to him.

Soldiers Increase Assistance to Farms, Mines

SK0202150294 Pyongyang Korean Central Broadcasting Network in Korean 1100 GMT 1 Feb 94

[Text] The soldiers of the People's Army are firmly defending the defense line of the socialist fatherland. They are actively helping the workers who have vigorously launched into the work to fulfill the party's revolutionary economic strategy by highly upholding the militant task put forth by the great leader in his New Year address and the decisions made at the 21st plenary session of the sixth party Central Committee.

During the past one month, the one-a-match-for-100 frontline soldiers vigorously carried out assistance work to mines, railway stations, and cooperative farms over several occasions.

At the Korean People's Army [KPA] unit to which Comrade Kwon Chae-il belongs, it is strengthening assistance work to mines by upholding the party's intention to firmly give priority to the mining industry, the leading sector of the people's economy. Recently, the soldiers of the unit went to various mines and carried out the battle to transport wooden prop. Also, the commanders of the unit prepared many gifts and donations and visited the mines with the families of the art agitation group. They held recreational activities and vigorously carried out the political work. The workers of the mines who were encouraged, overfulfilled their excavation plan by an increase of 20 percent.

During their vacation, the commanders and soldiers of the unit to which Comrade Yi Tong-sok belongs went to 33 railway stations to help railway repair work which is to strengthen the hardness of the rails. They also cleared away snow, a section which was 70-ri long. They also handed over various gifts and donations which they prepared sincerely.

The commanders and soldiers of the unit to which Comrade Choe Pyong-sun belongs went to railway stations on many occasions from late last year to this year, and helped workers repair railways, carry out work to help the traffic in the railway stations, and helped transport large quantities of material. They also sent gifts and donations to about 10 railway stations.

At the party committee of the unit to which Comrade Pak Yong-sik belongs, it discussed ways to actively help cooperative farms in its region prepare for the new farming season, and led the soldiers to practically help farm work from the position of master. Therefore, during the past two days, the commanders and soldiers of the unit went to 13 cooperative farms and transported about 800 tonnes of manure to the fields and helped various farming work including the work to improve the cold and damp fields.

The farmers at these cooperative farms said that our Army which is upholding the dear comrade leader as the supreme commander is truly different. They also said, overflowing with happiness, that they are able to carry out farming work this year all the better because the soldiers are sincerely helping with the farming work as if it was their own work.

The soldiers of the unit to which Comrade Chong Tal-pom belongs said that they should contribute to fulfill the high goal of grain output presented by the party at this significant year which marks the 30th anniversary of the publication of the agricultural thesis. They prepared in a short time 700,000 cloth bags, some 6,000 wooden wind protective hedges, and many soil levelers to protect against the wind. All these were loaded in 150 trucks and were handed over to the cooperative farms. They also transported 1,700 tonnes of manure and produced some 120 tonnes of humus soil during two days. Thus, they practically helped the farmers prepare for the new farming season.

Soldiers of various units including the unit to which Comrade Pak Kun-ho belongs assisted farms last year on 10 occasions. Recently using their vacation, they once again helped these farms.

Also, soldiers of various units including units to which Comrade Chong Kyu-hwan, Comrade Kim Pong-nam, Comrade Yi Tong-sok, Comrade Choe Pyong-sun belong sent agricultural materials to cooperative farms and helped farmers accelerating the work to prepare for the new farming season. They also helped the livelihood of families of fallen soldiers, bereaved families of a person killed by the enemy, and disabled veterans.

Twenty-six soldiers including Chong Song-chol, Kim Song-kuk, the officers of the unit to which Comrade Choe Yong-yon belongs, visited the Mangyongdae cooperation farm during their vacation and worked with the farmers, thus further deepening the Army-people affection.

Party's Ideological Achievements Commended

SK0302012994 Pyongyang Korean Central Broadcasting Network in Korean 0200 GMT 1 Feb 94

[Unattributed talk: "Our Party's Immortal Ideological and Theoretical Achievements That Have Deepened and Developed the Great Chuche Idea"]

[Text] The immortal chuche idea created by the great leader Comrade Kim Il-song is constantly being deepened and developed by the dear leader Comrade Kim Chong-il's ideological and theoretical activities without sleep or rest.

The great leader Comrade Kim Il-song taught: Comrade Kim Chong-il is glorifying our party's chuche idea as a great guidance idea of the independent age [chaju sidaeui widaehan chido sasang] by carrying out ideological and theoretical activities with extraordinary ability and energy.

The dear leader Comrade Kim Chong-il, the great successor and leader [yongdoja] of the chuche revolutionary cause, has completely systemized the respected and beloved leader Comrade Kim Il-song's revolutionary idea based on the chuche ideological and theoretical method and generally elucidated anew its historical position, nature, and content, thus deepening and developing it into a unique revolutionary guidance idea of our times, the independent age.

The importance of the ideological and theoretical achievements by the dear leader Comrade Kim Chong-il, who has deepened and developed the great chuche idea, is that he generally systemized the chuche idea and completed aspects worthy of the revolutionary guidance idea of the independent age and fulfilled its lofty duty. The dear comrade leader first explained the philosophical view of the world scientifically in a human-oriented way, so that he made the chuche idea a complete revolutionary doctrine that elucidates the way to pioneer man's destiny.

An essential characteristic of the chuche idea lies in the fact that it is based on the new, human-oriented philosophical view of the world. From the chuche viewpoint that the primary aim of the view of the world is to elucidate the way to pioneer man's destiny, the dear comrade leader stipulated that the explanation of man's position in the world and man's role in the world changes and development is the primary question the philosophical view of the world should solve.

He also scientifically explained that independence, creativity, and consciousness belong to man's basic character. Based on this, he elucidated the new, human-oriented philosophical principle that man reacts to the environment independently, creatively, and consciously on purpose; occupies the master's position in the material world; and plays a decisive role in developing the material world.

As the dear comrade leader completely explained the human-oriented philosophical principle, the chuche [words indistinct], it has been clearly revealed that man's position and role has become higher and greater in the world because of man's independent and creative activities and that the world becomes more man-centered and comes to serve man all the more. The dear comrade leader also embodied the chuche philosophical principle in the area of social history, so that he elucidated anew the popular mass-centered principle of social history and prepared theoretical grounds that have great significance in developing overall social sciences.

While appreciating positive aspects and significance of the past materialistic opinion on history, the dear comrade leader explained its limit in history and gave a scientific explanation on the general principle of social development.

The dear comrade leader declared it as a basic principle of social development that man's position and role in nature and society has become higher and greater according to the development of man's independent ideas, consciousness, and creative ability. As the dear comrade leader discovered the basic principle of social development, it has become clear that advanced capitalist countries cannot reform the old social system in a revolutionary way—although they have high production capability—because they are behind in remolding man, who is in charge of reforming society.

It has also become clear that socialism has been frustrated in some countries mainly because they did not promote remolding man in a revolutionary way in conformity with the new socialist system so that people could not fulfill their responsibility and role as masters of socialist society.

Our party's strategic policy on occupying both material and ideological fortresses of socialism, communism, and on giving priority to occupying the ideological fortress has invincible vitality, and so does the general line of socialist construction on vigorously carrying out the three revolutions—ideological, technological, and cultural—while enhancing the function and role of the people's power. This is because they are embodying the chuche principle of social development.

For the first time in history, the dear comrade leader has elucidated that mankind, a social being, has a sociopolitical life—different from the quality of physical life—and that individuals will only obtain the valuable sociopolitical life if they are members of the collective, the main body of sociopolitical life. This occupies an important position in his achievements that have deepened and developed the chuche idea.

In this way, the dear comrade leader—who has expounded an original ideology and theory on the sociopolitical life and opened a new epoch for establishing the chuche-oriented view of life—has elucidated the truth that for the social collective to become a sociopolitical organism, it must be organically merged with a center, a central organization. He has also newly and scientifically explained the basic doctrine that will merge this organism into the position and role that the leader [suryong], the party, and the masses would occupy within the sociopolitical organism.

As a result, he has put the chuche-oriented revolutionary view of the leader [suryong], the view of organization, the view of the mass, and the view of morality on a profound ideological and theoretical foundation. He has made an historic contribution to creating the chuche-oriented view of life, which pursues a rewarding and happy life in glorifying the sociopolitical life by participating in the revolutionary struggles befitting the master under the leadership of the party and the leader [suryong].

What is important in the immortal ideological and theoretical achievements gained by the dear leader Comrade Kim Chong-il, who has deepened and developed the great chuche idea, is that he has newly developed and enriched the chuche revolutionary theory and the leadership method based on the philosophical doctrine of the chuche idea in conformity with the demands of the current times.

Based on his scientific explanation of the basic characteristics of modern imperialism, the dear comrade leader has newly established theories, strategies, and tactics capable of victoriously leading the socialist and communist cause. Also, he has elucidated that imperialists, who fought each other in the past, have entered a new stage of further strengthening exploitation and suppression of the world's people, thus conspiring with each other today.

In this way, the dear comrade leader has fully analyzed the reactionary or antipeople characteristics of modern imperialism—which is different from that of the past. Based on this, he has expounded a new strategy to win victory in the independent cause, the socialist, and the communist cause.

By internationally conspiring with each other, the imperialist powers have strengthened exploitation and suppression of the people. As a result, the world has been further divided into two poles in which the rich get ever richer and the poor get ever poorer. Also, the social and class foundation capable of burying capitalism has been further expanded and strengthened.

We can successfully effect an upturn of converting capitalism into socialism only if we strengthen revolutionary and independent chuche under such circumstances, thus alerting the masses of their independent and ideological consciousness and politically uniting them with each other.

In explaining the current changed class structures in a capitalist society, the dear comrade leader has developed a ideological and theoretical guideline for making the working popular masses conscious of and organized into the socialist ideology—the revolutionary ideology of the working class—by overcoming all descriptions of right and left deviations. As a result, he has elucidated a way to develop the revolutionary struggle for socialism onto a new higher stage.

The dear comrade leader originally expounded a new party-building theory that the working class party should be strengthened and its leadership role should be raised in order to revolutionize and win over the broad working popular masses in conformity with the class composition of a society that changes as it develops. He has fully expounded principles and plans to strengthen the party, while defining the enhancement of the party's leadership role as a lifeline for guaranteeing the victory of the revolution and construction.

Based on the chuche idea centered upon mankind, the dear comrade leader has put forward, for the first time in history of the building of the working class party, a new principle that the work with man is a basis of the party's work and has presented a combination of the party's monolithic leadership and line as the basic principles of party activity. As a result, he has elucidated a way to follow correctly the party's leadership for the popular masses.

As shown by historical experiences, we can win victory in the revolution and construction only when we firmly fortify the driving force of the revolution and raise its role. To firmly strengthen the driving force of the revolution and raise its role, we must, above all, strengthen the party and its leadership role. This is the solid truth.

Truly, the dear comrade leader has deepened and developed the chuche idea and gained a great achievement, which will shine forever in history, in enriching its treasure house by energetically conducting ideological and theoretical activity without sleep or rest.

The chuche idea, which the great leader [suryong] has sown its seed in the soil of our nation and fostered for a long time, has been greatly advanced and enriched by the dear leader Comrade Kim Chong-il.

Thanks to the dear leader Comrade Kim Chong-il's ideological and theoretical activity, the chuche idea has been developed into the authorized guide of the independent era of our time and has vigorously led the hundreds of millions of the people throughout the world to the single road of independence by griping their hearts.

30 Years of Carrying Out Rural Theses Lauded

SK0202113594 Pyongyang KCNA in English 1013 GMT 2 Feb 94

["Rural Theses Is Great Revolutionary Banner Leading Socialist Rural Construction to Victory"—KCNA headline]

[Text] Pyongyang, February 2 (KCNA)—NODONG SINMUN today carries an article headlined "Rural Theses Is Great Revolutionary Banner Leading Socialist Rural Construction to Victory" contributed by academician, Prof. and Dr. Chon Yong-sik.

The article quotes the dear leader Comrade Kim Chong-il as saying:

"As the theses on the socialist rural question gives a comprehensive exposition of how to bring the advantages of the socialist rural economic system into full play, we can bring them into full play when we go along the road indicated by the theses."

It goes on:

The past 30 years of carrying through the theses on the socialist rural question published by the great leader Comrade Kim Il-song in February 1964 has powerfully proved that the theses is, indeed, a great program to successfully accomplish the socialist rural construction as well as the cause of socialism as a whole.

The rural theses is a program of the socialist rural construction to defend socialism and bring its advantages into full play by actively encouraging and developing collectivism in the rural economy.

Collectivism is the life and soul of socialism.

The rural theses of the great leader is a program of the socialist rural construction to strengthen and develop socialist collectivism. It indicates the way of arming the farmers with the collectivist idea and high scientific and cultural knowledge, industrializing and modernizing agriculture, overcoming immaturity of cooperative economy in all aspects of ownership and management and raising it up to the level of the state-run economy, the highest stage of development of the socialist economy.

It is also a revolutionary program of socialist rural construction to make a victorious advance not only of the rural economy but also of the socialist cause by strengthening the internal force of socialism.

The validity and greatness of the rural theses lie in strengthening the guidance of the party and the state over the countryside in every way, patterning the farmers on the working-class and firmly preparing them to be resolute supporters and defenders of socialism, reliable and competent builders of the socialist rural community.

The principle and tasks of the rural theses including the idea of pushing ahead with the three revolutions, ideological, technical and cultural, and strengthening the guidance of the party and the state over the countryside make it possible to build up our countryside as an invincible fortress of socialism by creditably carrying on the socialist rural construction and, at the same time, strengthening the motive force of revolution in the countryside.

The socialist rural theses is also a great program of the socialist rural construction to help the entire agricultural working people lead a worthy and happy life as full-fledged masters of the countryside.

It leads the farmers to extricate themselves from the old shackles of all ideological, technical and cultural fields, hold the position of the full-fledged masters of the countryside and glorify the dignity and honor of the masters.

There can neither be hotbed of exploitation nor be a gap between the rich and the poor in our countryside advancing along the road of the rural theses.

Commemorative Stamps Portraying Leaders Issued

SK0302115294 Pyongyang KCNA in English 1029 GMT 3 Feb 94

[Text] Pyongyang, February 3 (KCNA)—Various commemorative stamps and postcards have been published in Korea on the threshold of the significant February holiday.

They include a stamp portraying the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il on the globe-shape flower garden with Kimilsongia and Kimchongilia, national flowers of many countries and other beautiful flowers, which are symbolic of all the people's reverence for the sun of the revolution

Among them are also stamps with Hyosonghwa (a kind of flower) of different colors which is in full bloom, reflecting the infinite loyalty of the Korean people to the party and the leader, and a postcard and envelope printed with Kimchongilia.

South Korea

DPRK Reportedly Rejects Nuclear Inspections

'Total Rejection' of Inspections

SK0302025094 Seoul KBS-1 Radio Network in Korean 0230 GMT 3 Feb 94

[Text] North Korea today officially informed the International Atomic Energy Agency [IAEA] of its total rejection [chonmyon kobu] of nuclear inspections.

Meanwhile, U.S. Defense Secretary-nominee Perry said that in the event that dialogue between North Korea and the IAEA is suspended and the IAEA declares that the continuity of North Korea's nuclear safeguard measures is broken [kkaejida], the United States will immediately refer the North Korean nuclear issue to the UN Security Council.

IAEA Responds to Report

SK0302094794 Seoul KBS-1 Television Network in Korean 0835 GMT 3 Feb 94

[Text] Yesterday, North Korea sent a statement to the International Atomic Energy Agency [IAEA] saying it rejected full-scope [chonmyon] inspections, as reported by Japan's NHK Broadcast in a Berlin-datelined story.

By sending its 31 January statement to the IAEA saying that it will withdraw from the Nuclear Nonproliferation Treaty unless the United States stops its scheme to crush the Pyongyang side, North Korea stated that the fact that the United States and the IAEA urge North Korea to receive full-scope inspections of its nuclear facilities violates the spirit of the North Korea-U.S. agreement, and revealed that it will not negotiate further with the IAEA unless the agreement mapped out in New York is kept.

Responding to this, IAEA spokesman Meyer said the IAEA does not regard a protest document sent by North Korea as an official answer and that the IAEA is still waiting for North Korea's official response to its specification inquiring about the place and schedule for nuclear inspections.

IAEA Denies DPRK Rejection

SK0302120394 Seoul YONHAP in English 1157 GMT 3 Feb 94

[Text] Berlin, Feb. 3 (YONHAP)—The International Atomic Energy Agency (IAEA) on Thursday denied the press reports that North Korea had informed the IAEA of its rejection of any nuclear inspection. IAEA spokesman Hans Meyer said his agency had received no official notification from North Korea on Pyongyang's reported rejection of IAEA inspection of their nuclear facilities. Some press reports indicated that North Korea formally informed the IAEA on Feb. 2 that they were rejecting IAEA inspection.

Meyer said that the North Korean Embassy in Vienna fascimiled to the IAEA on Feb. 2 a copy of their Foreign Ministry statement of Feb. 1 on the issue of nuclear talks with the United States. But, this was part of their routine information activities, not any formal message to the IAEA on their rejection of nuclear inspection, he said.

The facsimiled item did not contain anything other than the three-page full text of Pyongyang's Foreign Ministry statement as reported by the North KOREAN CENTRAL NEWS AGENCY, Meyer added.

Graham To Deliver Kim Il-song Message to Clinton

SK0302070194 Seoul YONHAP in English 0627 GMT 3 Feb 94

[Text] Hong Kong, Feb. 3 (YONHAP)—American evangelist Billy Graham said Thursday that a secret message from North Korean leader Kim Il-song will reach U.S. President Bill Clinton on Friday. Graham, fresh from a visit to Pyongyang from Jan. 27 to Feb. 1, said the message was being delivered to Clinton by a church associate at a press conference in Hong Kong.

The evangelist said he sent the associate to Washington ahead of him so that Clinton can receive the message by Friday, showing the urgency he attached to Kim's message. Graham said it was in reply to an oral message from Clinton which he had passed on to North Korea's paramount leader, but declined to say whether Kim's was oral or in writing. The renowned preacher said he spent more than three hours with Kim and talked about issues ranging from religion to politics, hinting that Clinton had touched on the North Korean nuclear issue in his oral message. He did not, however, elaborate on the content of the messages, nor that of his talks with Kim. He said he had discussed his planned visit to the Stalinist country earlier with Clinton, who strongly backed the idea.

Possible Clinton-DPRK Envoy Meeting Reported

SK0302020894 Seoul HANGUK ILBO in Korean 3 Feb 94 p 1

[By Washington-based correspondent Chong Il-hwa]

[Text] According to high-ranking U.S. officials on 2 February, Pak Kil-yon, North Korean permanent representative to the United Nations, has been invited to the national breakfast prayer meeting to be held on 3 February in Washington and there is a possibility that Pak will encounter U.S. President Bill Clinton, who will also be attending the prayer meeting.

According to a high-ranking U.S. State Department official, the State Department approved a one-day-two-night Washington visit by Representative Pak and he is scheduled to attend the national breakfast prayer meeting to be held on the morning of 3 February. The official said that an encounter was possible between President Clinton and Representative Pak at the prayer meeting.

Representative Pak's Washington visit to attend the breakfast prayer meeting is noteworthy because it is taking place at a time when tension in U.S.-North Korea relations has risen anew with North Korea's warning that it may not withhold withdrawal from the Nuclear Nonproliferation Treaty, and with the plan to deploy Patriot missiles in the ROK.

White House officials said: "President Clinton is scheduled to attend the 3 February morning prayer meeting but how long he will stay and with whom he will meet has yet to be decided upon."

A White House official said: "With the current situation in which negotiation between North Korea and the International Atomic Energy Agency is at stalemate, it would be very meaningful for President Clinton and Representative Pak to meet even briefly."

The U.S. State Department gave advance approval for Representative Pak's Washington visit because the activities and travel of North Korean diplomats to the United Nations, including Representative Pak, are restricted to a 25 mile-radius in New York.

Foreign Minister Han Explains 'New Diplomacy'

SK0302084294 Seoul YONHAP in English 0828 GMT 3 Feb 94

[By Cho Se-hyon]

[Text] Seoul, Feb. 3 (YONHAP)—"Just because he has a loud voice and aggressive manner, it doesn't necessarily mean that he can accomplish a lot. We shouldn't approach inter-Korean relations including the North Korean nuclear issue in confrontational ways or regard them as a zero-sum game. We have to look at Russia and China from a comprehensive viewpoint."

These are some of the points made by Foreign Minister Han Sung-chu on Tuesday when he presided over a conference of heads of overseas South Korean missions. The remarks by Han, a former political science professor and internationally noted columnist, have attracted keen interest as he attempted to sum up problems with South Korea's diplomacy and raised points for the diplomats to reflect on. Han, who took over the diplomatic command post with the inauguration of President Kim Yong-sam's administration in February last year, was seen by many as issuing a warning that the nation's diplomats must cast aside their mannerisms and make a fresh start.

He said a lack of long-term vision, planning and extemporaneousness, as well as rigidity and wild talking are aspects that characterized past South Korean diplomacy. After casting aside these characteristics, Han suggested the nation's envoys should pursue practical, predictable, forward-looking, self-confident and substantial diplomacy. Above all, Han counselled his diplomats to stop pursuing confrontational diplomacy with North Korea.

If there is one phrase that sums up South Korean diplomacy other than "new diplomacy," he said, it has to be "practical diplomacy."

Han noted that some are now saying it is the Chinese president's turn to visit South Korea since former president No Tae-u visited China in 1992. But under the "new diplomacy," Han said, President Kim will visit China in March, without being bound by protocol and formality. This, he explained, is practical diplomacy.

The foreign minister then suggested "a diplomacy that can anticipate the future," and "a flexible diplomacy" as desirable directions after practical diplomacy.

Rather than panicking when an event unexpectedly takes place, Han urged the diplomats to carry out their work with mid- and long-term prospects in mind so that the outcome can be anticipated.

Han said there appears to be widespread misunderstanding of the term "internationalization," which is becoming so popular these days.

The belief that internationalization is needed only to strengthen the country's economic competitiveness is not only one-dimensional but also extremely myopic, he said.

In addition to short-term and practical purposes, the term internationalization must be understood to mean Koreans' efforts to establish a definite position in the world and pursue spiritual and material well-being, Han said.

On North Korea and the unification problem, Han said, "we have to realize that if North Korea managed to gain some benefit from its negotiations on the nuclear issue, it would also be a plus for us."

"We have to adopt this kind of idea as a premise for our inter-Korean and unification diplomacy," he said.

The overriding consideration in South Korea's efforts to help resolve the North Korean nuclear issue has to be prevention of the worst possible scenario, Han said, adding that South Korea must adopt "a firm, yet flexible" attitude.

Han mentioned globalism, diversification, multidimensionalism, regional cooperation and future-orientation as the five fundamentals for the nation's "new diplomacy."

"All these problems will become our problems in the near future," Han said. "That is why we have to take a comprehensive attitude toward them all."

Daily Regrets Split on North Nuclear Issue

SK0302063594 Seoul TONG-A ILBO in Korean 3 Feb 94 p 3

[Editorial: "North Korea's Nuclear Intent Must Be Reexamined"]

[Text] How should we cope with North Korea's nuclear weapons, if it possesses them? Is present negotiation strategy to prevent North Korea from manufacturing nuclear weapons still effective? On what basis is the government encouraged to have confidence that North Korea has no nuclear weapons at present?

We have no specific objection to the fact that diplomatic negotiation methods are the most effective for the solution of the North Korean nuclear issue. This is why we hoped for success in the U.S.-North Korean nuclear negotiations. We have not discarded, even now, the hope that our expectation will be met at last. Negotiations should proceed with flexibility, and such flexibility should be based on reciprocity. This condition, however, will become meaningless if North Korea cancels its withholding its withdrawal from the Nuclear Nonproliferation Treaty [NPT], threatened by the North Korean Foreign Ministry, becomes a reality.

The logic that one should be even more flexible in this case may sound persuasive. In other words, just as the chairman of the opposition party urged, we should reject the imposition of sanctions on North Korea and should try to bring North Korea to the negotiating table. Based on this, however, we will be in a strange position of having to block the resolution for sanctions in the event the North Korean nuclear issue is referred to the UN Security Council after inspection negotiations are ruptured between the International Atomic Energy Agency and North Korea. We do not believe that this is what the government has in mind.

Foreign Minister Han Sung-chu said that "we will maintain a flexible, yet resolute attitude toward the nuclear issue." We would like to interpret his remarks as expression of the will to actively join the resolution for sanctions by the UN Security Council, if it is necessary and indispensable. The problem is North Korea's attitude. We must judge, first, whether North Korea's threat of withdrawal from the NPT is another negotiating card or expression of its will not to discard nuclear development.

For this judgment, one should not be self-righteous but should assume a cool, realistic standpoint. In view of serious unfavorable effects on our security in case negotiations on the North Korean nuclear issue go wrong, one should listen to the other side's allegation. Therefore, one should ponder over the attitude of the government to worry about the possibility of heightened tension when Patriot missiles are deployed to the U.S. Forces in the ROK. This is because negotiations are possible only when one's defensive posture is strong.

What presents an even more serious problem is true aspects of North Korea's nuclear development. There cannot be any clear, accurate answer to this question. No one can be definitely sure that North Korea has no nuclear weapons. This is why the U.S. administration, not to mention the U.S. Congress, is leaning toward a hard-line policy. Should we consider this merely as military egoism of the United States? In the event it becomes suddenly known that North Korea possesses nuclear weapons, the present negotiation method must certainly be reexamined.

Our suspicion is increasing as to why North Korea is so persistently refusing IAEA's full-scope inspection, even so far as warning of its cancellation of withholding its withdrawal from the NPT. Nevertheless, the split in our national opinion is deepening. This is indeed deplorable and troubling.

Ambassador to U.S. Denies Position Differences

SK0302090194 Seoul YONHAP in English 0848 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—South Korean Ambassador to the United States Han Sung-su said on Thursday there is no difference between Seoul and Washington's positions on the North Korean nuclear problem. Han, who is attending the annual conference of Korean ambassadors and envoys here, said the two nations' relationship is strong enough to weather any attempt to destroy it. He expected that the North Korean nuclear problem will be discussed by the United Nations Security Council after March 21.

If the Board of Governors' meeting of the International Atomic Energy Agency (IAEA), slated for March 21, comes to the conclusion that the continuity of North Korea's nuclear safeguards can no longer be assured, the issue will have to be discussed by the U.N. Security Council, he said.

"Then, the council will discuss everything about the (North Korean nuclear) problem including sanctions against North Korea," he said.

He urged Pyongyang to make a rational judgement, saying that the North Koreans themselves know very well that the issue will be transferred to the U.N. Security Council if the IAEA Board of Governors' meeting fails to solve the problem. He also confirmed that there are no problems with South Korean security. He denied U.S. reports that tension on the Korean peninsula is mounting, saying that South Korea's security has not deteriorated and is in fact no different from the past.

Meanwhile, discussions on deployment of U.S. Patriot missiles in South Korea are under way between the South Korean and U.S. Governments, and the two have agreed that deployment of the anti-missile missiles should not affect the IAEA-North Korean negotiations, Han said.

The reason why the IAEA and North Korea cannot narrow their differences is not the possibility that Patriot missiles will be deployed in South Korea, but that they differ on technical problems related to nuclear inspections, he added.

U.S. Accused of Hypocrisy Regarding Arms Trade

SK0302031794 Seoul MAEIL KYONGJE SINMUN in Korean 3 Feb 94 p 8

[Article by Yi Chong-hyon: "The Two Faces of the U.S.—the Police and the Arms Dealer"]

[Text] The "world's police" that always talks about peace and imposing sanctions on countries selling weapons, the United States is, in fact, the greatest arms trader. The United States' sensitivity to the export of weapons by other countries is part of their sophisticated strategy to sell their "own commodities."

The WALL STREET JOURNAL of 28 January reported that "since the end of the Cold War, the United States has become the greatest exporter of conventional weapons" and that "in particular, the United States achieved record weapons sales of $340 million last year." Weapons sold by "the police" have seeped to third countries where disputes frequently take place to become lethal weapons there.

The WALL STREET JOURNAL denounced the United States regarding this for "actively exporting weapons while urging other countries to refrain from exporting weapons under the pretext of world security."

Last year, the United States assumed a hard-line attitude and imposed trade sanctions on China for exporting missiles to Pakistan. Even though China strongly denied the charge, world opinion supported the "defense of peace" position of the United States that strong measures be taken against suspected arms-selling countries. Although an excuse, the cause of world peace seemed plausible. However, according to the WALL STREET JOURNAL's report, the United States sold a total of 484 missiles in the five years from 1989 to 1992. This is almost eight times the 63 missiles China exported.

It is unreasonable for the United States to strongly slander China for arms sales which are so slight in comparison to its own sales, and it is unreasonable for it to do so under the pretext of peace while continuing its own sales.

It has been learned that arms dealers even manipulated disputes for their own interests. The world is anxiously watching the two faces—"police" and arms dealer—of the United States.

Kim Chong-il's Brother Appointed Envoy to Finland

OW0302105594 Tokyo KYODO in English 0855 GMT 3 Feb 94

[Text] Seoul, Feb. 3 KYODO—North Korean heir apparent Kim Chong-il's half-brother, Kim Pyong-il, has been named ambassador to Finland and is awaiting agreement from the Finnish Government, a western diplomatic in Seoul said Thursday [3 February].

Kim Pyong-il, long considered a political rival of Kim Chong-il, was removed as envoy to Bulgaria in early December last year amid signs that his return may indicate that Kim Chong-il has resolved the leadership succession issue. He had been appointed to take up the post of North Korea's ambassador to Hungary in August 1988 but was reassigned to Bulgaria in December that year.

Meanwhile, the appointment of Kim Kwang-sop, husband of Kim Pyong-il's elder sister, Kim Kyong-chin, as North Korea's ambassador to Austria indicates that family members of Kim Pyong-il failed to occupy key posts in North Korea's power hierarchy.

Speculation was abuzz on whether Kim Chong-il's succession to power has come under challenge after Kim Pyong-il returned from an overseas mission and Kim Yong-chu, younger brother of North Korean President Kim Il-song, was named to the Politburo of the North Korean Workers' Party.

The appointment of Kim Pyong-il to an overseas diplomatic mission, however, showed that Kim Chong-il is still wary of his half-brother in securing his grip on power in the country, analysts said.

* Paper Examines North Korea's Land Lease Law

942C0060 Seoul NAEWOE TONGSIN in Korean No 873, 11 Nov 93 pp B1-B4

[Text] North Korea has recently attracted attention by promoting a legal investment environment for foreign investment through laws such as the 'land lease law.' (No. 40 decided by the standing committee of the Supreme People's Assembly)

North Korea seemed to use China as a model in making laws for international economic openness, for example, by adopting in 1984 the 'joint management law.' This is patterned after the Chinese 'sino-foreign joint management law'. They also enacted a 'land lease law' by copying the Chinese 'temporary ordinance on the conveyance and reconveyance of the right to use government-owned land in cities.' (19 May 1990)

That North Korea highly praised this land lease law, announced through the government-owned Korean Central News Agency on 4 November as an 'epochal' event, is seen as promoting foreign investment by advertising economic openness. This allows foreign businessmen to lease land even though North Korea (government) does not allow its people to do so and by advertising the alignment of statutes to support the law. This intention can be also seen in that this law was announced just before the second workshop on the industrial natural resource field for the Tumen River Area Development Project to be held in Seoul. (November 8-10)

This law prescribes the scope of application (Article 2), to corporations and individuals of 'foreign countries' and also includes fellow Koreans who reside 'outside the territory of the Republic' in a separate section. This prescription that may cause disputes on how to interpret the law in relation to South Korean corporations and businessmen, and it attracts attention on how North Korea would interpret the laws.

The Conveyance and Collateral of Land Utilization Right

Land use rights obtained by lease contracts are prescribed as 'property rights' and could be conveyed (by sale, sublease, gift, or inheritance) or could be collateral as long as the lease is effective. (Articles 15-27) The law appears to be decided from consideration for fast turnover and transactions of property rights, but the 'sale' of use rights is an unfamiliar concept under a democratic legal system. In the sale of use rights, it seems to be difficult to convey them because the law recognizes the preferential purchasing rights (Article 19) of the 'leasing institute, disallowing the lessee to transfer freely the utilization right, and makes the change of the business type impossible by requiring that the right be used under the same initial purpose.

In the meantime, two different opinions were proposed on the possibility of applying this law to South Korean corporations (and businessmen).

One suggests the fact that this law prescribed 'fellow Koreans who reside outside the Republic territory' as within the scope of application means that North Korea intends to include South Korean corporations. This opinion is based on the fact that this law has a different scope of application from the 'Joint Management Law' (1984). 'The Joint Management Law' is limited to 'fellow

Koreans who reside outside the Korean peninsula' including businessmen in Japan, and clearly excludes South Korean industries. This interpretation is also based upon the theory that South Korean businessmen are included in 'fellow Koreans who reside outside the Republic territory' by pointing out that North Korea recognized the range of its sovereignty to the north of the truce line in the seventh Japanese-North Korea amity meeting. (December 1991)

The other opinion stems from the fact that 'the territory of the Republic' means the entire Korean peninsula because North Korea has insisted on the 'One Korea' policy until now. Accordingly, South Korean industries (and businessmen) are excluded from the scope of 'fellow Koreans who reside outside the territory.'

China had enacted 'a regulation that promotes fellow Taiwanese investment (in China)' and had made clear that fellow Taiwanese can be partners in joint management.

Some North Korean officials, including Vice Premier Kim Tal-hyon, hoped several times that South Korean industries would invest in North Korea, and it was reported that Hwang Chong-nam (chief of the External Economic Cooperation Promotion Committee), who participated in the UNDP Industry workshop, said that he hoped South Korean industries would participate in the construction of industrial complexes and direct investment in the free economic and trade zone. It seems to be desperate countermeasure tactics that North Korea has prescribed 'the fellow Koreans who reside out of the Republic territory' in the law to leave open the possibility that the law's applicability could be extended to South Korean economic corporations while it takes the 'one Korea' policy in politics. In the Japanese-North Korea amity meeting, the representative from North Korea still kept the 'one Korea' policy not only by suggesting the assumption of the 'one Korea' theory, even though he recognized the territory of North Korea to the 'north of the truce line,' but also by separating the South Korean government authority from businessmen.

North Korea needs to make a prompt decision to withdraw the 'one Korea' policy as soon as possible in that the advance of South Korean businessmen to North Korea can not be accomplished smoothly in relation to the legal investment environment—such as the 'land lease law'—if North Korea keeps this kind of dual stand.

Underground Student Group in North Uncovered

SK0302124694 Seoul KBS-1 Television Network in Korean 1207 GMT 3 Feb 94

[Text] In a dispatch from Beijing, YONHAP reported on 3 February that an anti-establishment underground student movement organization based on Kim Il-song University was carrying out activities in early 1992, but that it was uncovered by the North Korean authorities. Quoting its own source, YONHAP reported that the anti-establishment underground movement operated secretly from late 1991, mainly with students from the Kim Il-song University, but that the North Korean university students who took part in the underground organization were arrested by the authorities because moves by Chinese students studying in the North, who were part of the organization, were exposed by the Chinese Embassy in Pyongyang in early 1992.

DPRK Officer Said Involved in Russian Sub Deal

SK0302013294 Seoul KBS-1 Radio Network in Korean 0005 GMT 3 Feb 94

[By Yi Il-hwa from Tokyo]

[Text] Japan's TOKYO SHIMBUN reports that a North Korean high-ranking naval officer was involved in the DPRK's purchase of submarines from Russia. Accordingly, there is doubt whether North Korea will really use them as scrap material. North Korea had said some time ago that it was importing used submarines from Russia to use as scrap metal. The paper reported today that the Russian submarines which will be exported to North Korea (?are anchored) at (?Novik) Bay in Vladivostok, and that a North Korean high-ranking naval officer was involved in negotiations between North Korea and Russia regarding submarine transactions. The paper also reported that because of the North Korean naval officer's participation in negotiations on submarine transactions, there are doubts whether North Korea will really use them as scrap metal as it stated.

Russia Said To Stop Delivery of Subs to DPRK

SK0302063094 Seoul CHUNGANG ILBO in Korean 3 Feb 94 p 6

[By Yi Sok-ku from Tokyo]

[Text] In a dispatch from Vladivostok on 3 February, Japan's TOKYO SHIMBUN reported that when submarines that were to be sold to North Korea became an issue in the international community, Russia decided to stop delivering them to North Korea. The paper, which carried exclusive news of Russia's plan to sell submarines to North Korea, sent a reporter to the (Novik) port in Vladivostok—which is the prohibited area for foreigners—and held an interview with a relevant official there. He said that Russia had decided to stop delivering submarines to North Korea.

Having obtained contract documents regarding transactions for the submarines that were to be sold to North Korea, the paper carried commentary on the documents on 3 February along with submarine photos.

The paper reported that although a relevant Russian military officer had said that they were "exporting scrap materials, not submarines," it was more likely that Russia was selling them as weapons as it has been confirmed that a North Korean high-ranking naval officer was directly involved in negotiations for the submarines.

The paper reported: Although Golf II Class submarines, which were to be sold to North Korea this time, appear to be largely scrap material, their facilities, including operational functions, remain functional.

According to the data furnished to the paper, the Management Bureau of the Resources External Affairs of the Russian Defense Ministry and the Japanese Toyen trade corporation (head office in Tokyo) signed the contract on 16-19 November last year.

The price of the 12 Russian submarines are as follows: Two of the submarines are $140,000 based on price of $51 per ton and ten submarines, at $92 per ton, amount to $1.15 million. One of these submarines has already been delivered to Najing port in North Korea.

New Russian Ambassador on Nuclear, Other Issues

SK0302080094 Seoul YONHAP in English 0736 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Russia does not accept some of North Korea's positions in connection with its nuclear development program, Russian Ambassador to South Korea Georgiy Kunadze said on Thursday. Kunadze, who arrived here last month to take up his new post, said in an exclusive interview with YONHAP news agency that North Korea is using its withdrawal from the nuclear Non-proliferation Treaty (NPT) as a bargaining chip in negotiations with other countries and international organizations, a practice which he said is not acceptable.

Meanwhile, Kunadze said he believes that President Kim Yong-sam will visit Moscow this year as the president expressed a strong desire to do so when the envoy presented his credentials to Kim Tuesday.

"This coming June has great significance for being the fifth anniversary of Kim's visit to Russia in his capacity as an opposition leader," the Russian official said, indicating that preparations were being pushed for Kim's second visit to take place in June.

Kunadze said North Korea wants to be given special status for nuclear inspections, but Russia believes that Pyongyang should observe the obligations of NPT.

Russia wants to maintain constructive and rational relations with North Korea in order to expand trade while revising a logging agreement with Pyongyang to their mutual benefit, he said. Russia believes that North Korea, as a member of the international community, should be subjected to neither special treatment nor discrimination, he added.

Touching on repayment of loans from South Korea to the former Soviet Union and Russia, Kunadze said his country has the capability to repay but, according to an agreement between Russia and the Paris Club—a group of Western creditor countries—non-members of the club are not entitled to better status than club members in receiving repayment. Therefore Seoul, which is not a member of the Paris Club, unfortunately may be in a worse position to obtain repayment from Russia. He thus proposed that Koreans take a broader view of relations with Russia, not just focusing on this particular problem.

Asked about the possibility of Russia compensating the families of victims of Korean Air 007, which was shot down by Soviet fighters over Sakhalin in 1983, Kunadze said his government had disclosed many details of the incident last year and would continue to investigate in the future.

Russia does not believe the problem has been resolved completely, and thinks that other countries will unveil related information, he said.

The Russian Government attaches great importance to the Asia- Pacific region in its foreign policy, the ambassador said. He added that Russia fully supports the recent proposal by South Korean Foreign Minister Han Sung-chu on holding a security dialogue in the region.

Student Exchanges With China To Intensify

SK0302085194 Seoul YONHAP in English 0748 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Student exchanges with China are certain to become more active as soon as the South Korean Government liberalizes travel to China in late March, a Foreign Ministry official said on Thursday. The official predicted that overseas study in China will be activated and liberalized when China is excluded from "specific" countries in the government's "guideline on exchanges with northern (former and present communist) countries" in late March.

"China is now among the specific countries targeted by the guideline, so students who want to study in China are not able to gain favors like suspended military service," the official noted.

Premier Orders Punishment of All Demonstrators

SK0302033194 Seoul YONHAP in English 0246 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Prime Minister Yi Hoe-chang, deploring the violent farmer-student demonstration against rice market opening in Seoul on Tuesday afternoon, has ordered that all of those who broke the law be punished.

Presiding over a cabinet meeting on Thursday morning, Yi said street violence should not be allowed to occur again, noting some 300 people were injured in Tuesday's demonstration, his Press Secretary Kang Hyong-sok said. He also instructed that strict controls be imposed on elections for farm, livestock and fisheries cooperatives, saying they have already shown signs of corruption and rigging.

Yi told Economic Planning Minister Chong Chae-sok to pay special attention to price movements so that prices do not rise before Lunar New Year next week, while instructing Labor Minister Nam Chae-hui to see that workers' wages are not held in arrears during the holiday. He also stressed the need to ensure safe land and coastal transportation during the holiday.

President on Importance of International Trade

SK0302125894 Seoul YONHAP in English 1126 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—President Kim Yong-sam stressed on Thursday Korean overseas missions should now be the center of market exploration and collection of trade and technical information.

At a Chongwadae [presidential residence] dinner he hosted for overseas mission chiefs and their spouses, Kim said the organization and function of overseas missions should change for the sake of new diplomacy.

"You should do actively anything that can be of help to strengthening the country's competitiveness," the president said.

Stating he is planning to have summit meetings with the leaders of major countries and would attend an APEC (Asia-Pacific Economic Cooperation) summit meeting taking place in November in Indonesia, President Kim asked the senior diplomats to try to ensure national interests solidly in the course of preparing these and other events.

Korean mission chiefs posted in the American and Asian areas are now visiting the home country to attend an annual mission chiefs meeting.

Envoy to Geneva Says GATT Agreement 'Irreversible'

SK0302023394 Seoul THE KOREA TIMES in English 3 Feb 94 p 2

[Text] The results of the Uruguay Round talks which ended Dec. 15 last year are irreversible, said Ho Sung, chief of the Korean representative mission in Geneva.

"It will be impossible to rediscuss the promises (agreement) reached," the ambassador told reporters yesterday.

The opposition Democratic Party Tuesday [1 February] called on the government to renegotiate the agreement of the Uruguay Round talks which will result in the opening of the Korean rice market, in the wake of a massive demonstration by some 20,000 farmers and students in downtown Seoul.

Farmers and students took to streets after a rally Tuesday denouncing the opening of the domestic rice market. Some 100 demonstrators and riot policemen were reported injured and six police buses were burnt during violent demonstrations which paralyzed downtown traffic till late Tuesday night.

Member nations will verify whether each country implements the agreement as promised by March 27 and a ministerial conference will be held April 13-15 in Morocco to sign the final draft, Ho said.

Ho is here to attend the annual meeting of ambassadors serving in Asia and America, which opened yesterday and will continue through next Monday.

Peter Sutherland, secretary-general of the GATT, earlier expressed the hope that no new issues would be raised at the ministerial talks, referring to Japan and the United States, Ho said.

At the ministerial meeting, an interim committee will be formed to inaugurate the World Trade Organization (WTO), which will be in charge of the execution of the Uruguay Round agreements, the ambassador said. He predicted that Sutherland will assume the chairmanship of the interim committee. Ho forecast that the WTO will be inaugurated in January or July, 1995. Japan wants July while the United States hopes for January, Ho said. He forecast that Korea will benefit from free trade although there will be difficulties in some area, including agriculture and services.

World trade will grow 12 percent annually or $745.5 billion over the next 10 years till the year 2005 and income will grow by $230 billion as a result of the Uruguay Round agreement, Ho said quoting reports of the GATT secretariat.

Korea contributed 1,990,000 Swiss francs to the GATT secretariat, placing it 11th in terms of donations. The contribution accounted for 2.27 percent of the total GATT secretariat budget, Ho said adding that Korea is to donate 2.1 million Swiss francs (some $1.5 million) this year.

Korea should send to the WTO the number of experts commensurate with its contribution to the world body, he said, adding that there are few qualified experts hoping for the job.

Government To Ease Rules on Overseas Fund-Raising

SK0302032394 Seoul YONHAP in English 0135 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—The government will ease restrictions on corporate fund-raising overseas by increasing the ceiling on foreign exchange-denominated securities issues abroad from last year's 2 billion U.S. dollars to 2.5 billion dollars and relaxing the qualifications required of corporations to issue such foreign debts.

Finance Minister Hong Chae-hyong, attending a meeting of business leaders sponsored by the Korea Employers' Federation on Wednesday, said the government would also selectively allow the introduction of foreign commercial loans to finance imports of capital goods for infrastructure expansion projects.

To help corporate investment in foreign countries, restrictions on overseas real estate investment will be eased, while the red tape surrounding government approval of corporate foreign investment plans will be removed. In addition, overseas securities investment by institutional investors, such as securities houses and insurance companies, will be liberalized, Hong said.

To improve the country's foreign investment environment, he added, the five-year industry-by-industry plan on market opening for foreign investors, set to start in 1996, will be revised to advance the opening date and broaden the opening scope.

The increased investment in foreign industries and securities markets will check inflation due to an anticipated increase in foreign fund inflows in the coming year, he observed.

Foreign investors are expected to increase their participation in the stock market here this year, combining with a current-account surplus expected for the year to expand foreign fund flows to the country.

Corporations giving employees part of their profits in the form of a special bonus in shares, not in cash, will be accorded tax benefits in a bid to promote labor peace in such corporations, Hong said.

Plan To Ease Foreign Exchange Controls Announced

SK0302091894 Seoul YONHAP in English 0857 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—The Finance Ministry on Thursday announced a two-stage plan to ease foreign exchange controls during the first half of the year. In the first stage starting in late January, the ceiling on an individual's foreign exchange holdings overseas will be raised from the current 2,000 U.S. dollars to 20,000 dollars.

Corporations' qualifications for holding and using foreign exchange overseas will be relaxed by reducing the minimum requirement for an annual two-way trade achievement from 100 million dollars to 10 million dollars to increase the number of qualified firms from the current 136 to 1,304. The ceiling on these firms' foreign exchange holdings abroad will also be raised from 10 percent of the trade achievement or 100 million dollars to 30 percent or 300 million dollars, whichever is larger. But to prevent inflows of hot money, individuals receiving an unrequited remittance of more than 20,000 dollars from abroad will face restrictions when they convert it into won. These restrictions are not yet known.

Those with an unrequited receipt of more than 50,000 dollars in foreign exchange a year will be referred to tax collectors for possible taxation.

Conversion of foreign exchange into won by nonresidents (foreigners) will be limited to 20,000 dollars a month when the conversion has nothing to do with authorized payment in won for their business in the country.

The scope of foreign securities investment will be expanded: Securities houses, investment trust companies and insurance firms will be free to invest as much as they want in foreign securities markets, as banks now are, while pension funds and other investment funds and short-term finance firms will be allowed to invest as much as 100 million dollars, instead of the current limit of 50 million dollars, in overseas securities markets.

In the second quarter, individual investors will be allowed to invest in foreign securities.

As insurance firms now do, banks, securities houses, investment trust firms, short-term finance houses, pension funds and general trading companies will be permitted to invest in real estate abroad, while foreign direct investment will be liberalized except in industries where restrictions on Korean investment are deemed necessary.

Under the second stage to be implemented during the second quarter, the number of current transactions of goods and services requiring a bank's approval for settlement of accounts in foreign exchange will be reduced from 109 to 39 to 49. Those still requiring a bank's approval are transactions considered to be of an antisocial nature, such as payment for capital flight or that related to gambling and drugs.

The classification of foreign exchange banks into A and B classes will be scrapped.

Report Analyzes Decrease of Foreign Investment

SK3001033594 Seoul THE KOREA TIMES in English 30 Jan 94 p 8

[By staff reporter Sa Tong-sok]

[Text] A combination of rising production costs, high interest rates and various business restrictions has hindered the influx of foreign investment into Korea over the past few years, according to a report released by a state-financed institute yesterday.

The Korea Institute for International Economic Policy said in its report that foreign investment in Korea which had shown a rapid pickup early in the 1980s went into the doldrums from 1989.

The report attributed dwindling foreign investment in Korea to the overall deterioration of foreign investment conditions. "Soaring labor costs, a continuation of high interest rates and spiralling inflation combined to aggravate Korea's investment climate," it said.

In addition, the existence of various administrative red tape and inadequate protection of intellectual property rights also tarnished Korea's attractiveness to foreign investors, it claimed.

According to the report, the rate of capital formation contributed by foreign investment during 1986-1991 stood at a meager 1.1 percent. The rate compares with Taiwan's 3.5 percent, Singapore's 29.4 percent, Hong Kong's 12.1 percent and China's 2.3 percent.

Moreover, the latest trend in foreign investment in Korea has shown a sustained fall, casting a pall over the country's bid to join the ranks of advanced industrial countries by attracting more foreign capital, the report said.

Foreign investment in Korea soared from the early 1980s as Seoul adopted a massive liberalization policy. Foreign investment reached its zenith in the late 1980s with annual investment amounting to 1.28 billion dollars in 1988.

But foreign investment began to slide from 1989 as Korea's investment conditions rapidly deteriorated, dropping to 894 million dollars in 1992.

According to the report, foreign-invested manufacturing companies in Korea numbered 1,570 as of March last year with their total investment amounting to about 5.56 billion dollars.

By industry, electrics and electronics topped the list of foreign-invested manufacturing companies with 344 in operation, followed by machinery (331) and chemical engineering (241). These three industries account for nearly 58 percent of the total number of foreign-invested manufacturing companies in Korea.

Foreign-invested Manufacturing Cos. (FICs) in Korea

			(unit: $100 mil.)
		Investment	No. of FICs
Industry	No. of FICs	Amount	Investing over $1 mil
Food	102	3.8	35
Textiles, Apparel	87	1.4	24
Paper, Wood	23	1.5	8
Chemicals	241	14.0	115
Fertilizer	4	0.2	2
Medicine	61	3.1	41
Petroleum	7	6.1	5
Ceramics	39	1.3	16
Metals	96	1.3	29
Machinery	331	4.9	135
Electronics	344	11.9	144
Transport	88	5.0	45
Other Manufacturing	147	0.6	11
Total	1,570	55.6	610
	Source: Ministry of Finance		

But in terms of invested amounts, chemical engineering was placed tops with 1.4 billion dollars, followed by electrics and electronics (1.1 billion dollars) and petroleum (610 million dollars).

Of the 1,570 foreign-invested manufacturing companies, only 13.6 percent or 214 companies are 100 percent foreign-owned with most of them being joint ventures with Korean companies, according to the report.

Japanese investors account for about 61 percent of the total foreign-invested manufacturing companies with investors from the United States making up 21 percent. The remainder are those from European or other countries.

To lure more foreign capital, the report proposed an across-the- board improvement in Korea's business conditions.

"Korea is still regarded as one of the promising countries for foreign investment because of its high growth potential and sustained economic development," it said.

If Korea exerts every effort to revamp its business conditions, foreign investment will make a strong rebound in the future, the report said.

EPB Provides Package of Anti-Inflation Measures

SK0302021594 Seoul THE KOREA TIMES in English 3 Feb 94 p 8

[By staff reporter Sa Tong-sok]

[Text] Entry restrictions in the private-service sector which includes beauty parlors, barber shops, public bath houses and various private institutions will be alleviated significantly to help create an atmosphere conducive to freer competition. Import bans, effective under the import diversification system, will also be lifted on some consumer products such as plastic household utensils. Imports of some farm products, which have recently shown steep price spirals, will be made as soon as possible to place curbs on soaring prices.

These are the highlights of a package of anti-inflation steps announced by the Economic Planning Board [EPB] yesterday.

Deputy Premier-Economic Planning Minister Chong Chae-sok chaired a meeting of economic ministers to discuss these and other anti-inflation measures. The measures are in response to mounting public criticism about soaring inflation.

The National Statistical Office [NSO] on Tuesday announced that consumer prices surged a whopping 1.3

percent in January, boosted by the rise in public-service charges and sharp increases in prices of some farm products.

Economists warn of inflationary pressure building up more strongly, citing some factors which would hurt the nation's price stability. To create long-term stability in private-service charges, the anti-inflation steps call for easing entry restrictions in the private-service sector across the board. Specifically, the license system now used for new beauty parlors, barber shops, public bath houses and lodging places will be changed to a registration or report system to encourage competition.

Criteria governing the opening of various private institutions will also be eased to facilitate the opening of these institutions. "The easing of restrictions will help spark freer competition, thus contributing to reign in rises in private-service charges," an EPB official said.

To stabilize prices of manufactured goods, the package envisages phasing out import restrictions on some consumer goods, particularly those imported from Japan, such as household utensils made of glass and plastics.

The EPB also urged manufacturers not to raise prices of their goods by absorbing price-raising factors through technological development while threatening to slap sanctions against those who try to raise prices through collusion.

The government also plans to release state-held rice without limit to curb rising rice prices. In January alone, rice prices soared a whopping 3.1 percent, according to the NSO. Onions, garlic, salt and powdered milk will be imported massively. Imports of onions and garlic are planned at 3,000 tons, respectively, this month and for the whole of this year, about 78,000 tons of salt will be imported.

The EPB said the government will exert utmost effort to stabilize price increases of 30 basic necessities which affect public livelihood significantly at below 4 percent in 1994. They are rice, beef, pork, eggs, garlic, onions, sugar, ramyon [instant noodles], wheat flour, salt, footwear, TVs, refrigerators, toys, yontan [coal brickets], propane and so on.

The government will also focus on minimizing rises in public-service charges by urging public utilities to refrain from high increases through management renovation.

The EPB sees curbing this year's inflation rate, as measured by consumer prices, at below 6 percent. Last year, the consumer price index soared 5.8 percent.

Electronics Industry Reports Increase in Exports

SK0302032694 Seoul YONHAP in English 0053 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Korea's major electronics manufacturers are brimming with confidence as exports to Japan continue to grow, industry sources said Thursday. Samsung Electronics, Goldstar and Daewoo Electronics saw exports of electric home appliances and semiconductors to Japan soar an average 150 percent last year over the year before. Exports rose a further 50 percent last month, compared with 12-percent growth in January 1993. The industry attributes the brisk exports to a strong yen that has weakened the price competitiveness of Japanese manufacturers.

Samsung exported 350 million U.S. dollars worth of electronics to Japan, up 110 percent from 1992. Its exports of semiconductors were up 100 percent to 240 million dollars from 1992's 120 million dollars; Television sets, up 142 percent to 80 million dollars; and refrigerators, up 192 percent to 12 million dollars. Samsung said January exports grew 50 percent, compared with 12 percent a year earlier.

Goldstar shipped 33 million dollars worth of television sets, up 65 percent from 20 million dollars in 1992, and 1 million dollars of microwave ovens, up 100 percent from 500,000 dollars a year earlier. Its January exports increased 33 percent to 16 million dollars, three times the 11 percent growth registered the year before.

Daewoo saw exports skyrocket 116 percent to 218 million dollars last year with shipments of microwave ovens rising 56 percent, refrigerators 45 percent and video cassette recorders 29 percent in January.

Shipping Firms Allowed To Obtain Vessels Abroad

SK0302125194 Seoul YONHAP in English 1053 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Korean shipping lines are enabled to obtain large specialized vessels or container ships through their locally incorporated firms abroad effective April this year. The Maritime and Port Administration reported on Thursday it had decided to permit shipping firms to build these vessels with foreign financial funds obtained in the name of their locally incorporated companies.

The decision is to help the maritime industry secure vessels more easily and alleviate their taxational burdens, an official at the administration said. He explained that Korean shipping firms will be allowed to obtain shipbuilding loans abroad without regard to whether the vessels to be built would be registered in Korea or elsewhere. This means that ships thus obtained could be registered in third countries, instead of Korea, where ship-related tax rates are lower.

In the initial stage, shipping lines will be permitted to obtain only large specialized vessels like crude oil, coal and iron ore carriers and container vessels because an overall permission would obviously lead to a rush to overseas vessel procurement, the official said.

Presently shipping lines obtain vessels with either shipbuilding loans from domestic banks or foreign capital introduced under the condition of registering new-built vessels in the country. But, domestic loans carry high interest rates while introduction of foreign capital has to go through rigid government control.

Trade Association Elects New Chairman 3 Feb

SK0302032494 Seoul YONHAP in English 0056 GMT 3 Feb 94

[Text] Seoul, Feb. 3 (YONHAP)—Ku Pyong-hoe, chairman of Lucky-Goldstar International Group, was elected chairman of the Korea Foreign Trade Association (KFTA) Thursday in a general meeting of member companies held at the Korea Exhibition Center. More than 500 representatives of the companies also elected Pak Yong-hak, former chairman of KFTA, as honorary chairman.

Ku, the 22nd chairman of KFTA, said in his inaugural address that in view of the current trend of internationalization and economic opening, South Korea faces a critical moment on the road to becoming an advanced country.

"KFTA will strengthen information and other services for member companies as well as maintaining close cooperation with the government, thus playing a leading role in realizing the internationalization of South Korean businesses," he said.

Burma

Than Shwe: Development on 'Self Help' Basis

BK3101162394 Rangoon Radio Burma in Burmese 1330 GMT 31 Jan 94

[Excerpts] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and commander in chief of the defense services, attended and delivered an address at the 1993 third four-monthly coordination meeting between the SLORC and state and division law and order restoration councils [LORC] which was held this morning at 0900 at the meeting hall of the office of the Army commander in chief. [passage omitted]

Sr. Gen. Than Shwe noted that this 1993 third four-monthly coordination meeting is an important one and it is time to review 1993 and to draw plans for the first four months of 1994. He expressed the need to review the achievements truthfully when presenting reports. Successes and failures should be presented realistically. Continuing, he explained that if success is not yet realized, new correct methods should be implemented to achieve it. If honest presentations are not made there will be many errors in the activities and this will hinder the progress of the country.

He then noted that in this present era there are many development works according to the areas and regions. He said there are three classifications—work activities purely on a self-help basis, work activities jointly on a self-help basis with government support, and government funded activities jointly with regional support. He remarked that in implementing regional development activities one could not rely on the government for everything and they should not be neglected by the central organizations also. He then explained since regional authorities have been delegated with the power to act, they should choose their priorities in implementing development projects. Basically, it must be on a self-help basis. If it is not feasible, then government support should be acquired. He reminded that after taking the responsibilities of the state according to historical changes, work should be carried out with determination and commitment for the benefit of the country and the people. He explained that this opportunity should not be utilized for personal gain, but to work with the intent to benefit the country.

He stressed that after a long time activities tend to become routine and responsible personnel need to adopt an active and alert motivation to work for the betterment of the state. Finally, Than Shwe reminded responsible personnel not to be satisfied with the achievements but to work for the better in 1994 based on past successes and failures. [passage omitted]

Than Shwe Repeats Call for Insurgent Surrender

BK0202154694 Rangoon Radio Burma in Burmese 1330 GMT 2 Feb 94

[Excerpts] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and commander in chief of the defense services, attended and delivered a closing address at the third day session of the 1993 third coordination meeting, which is held every four months, between the SLORC and state and division law and order restoration councils [LORC]. [passage omitted]

Sr. Gen. Than Shwe, in his closing speech, noted regional authorities have presented reports on the progress of implementing development activities, future projects, and that responsible personnel from the central level have given necessary explanations. [passage omitted] He also noted examples from the experience of near disintegration of our country and other tragic incidents in other countries around the world. He also stressed that present activities should leave behind good legacies for the new government, which will emerge in accordance with a firm constitution rather than becoming a burden for the future. Thus, all regional activities should be regarded as beneficial for the country's development.

Next, the SLORC chairman explained that country's present situation has reached a junction and we must send the country on the path to become a modern, developed, and tranquil country. He said the National Convention is being held in order to draw a new and firm constitution in order to achieve that goal, while efforts are being made for national reconciliation and national unity. Sr. Gen. Than Shwe reiterated the invitation extended to armed organizations in the jungles, which came into being together with the country's independence, to return to the legal fold and join earnestly in implementing development works of the country. He stressed the genuine goodwill in the invitation because full efforts can only be put into the country's development when there is national unity. He also noted the connection between politics and economics and urged responsible personnel to try to develop both politically and economically. Continuing, Than Shwe explained the responsibility for economic development lies not only with the various ministries, but also with regional authorities. Regional authorities should take the responsibility of developing their own region and Than Shwe stressed the need to share responsibilities. The SLORC chairman explained that the delegation of authority to regional personnel is for better management. [passage omitted]

BBC Views Self-Rule Issues at Convention

BK0302045994 London BBC in Burmese to Burma 1345 GMT 2 Feb 94

[Report from correspondent Larry Jagan in Rangoon]

[Excerpt] The National Convention, which is drawing up guidelines for drafting Burma's constitution, is continuing with its closed-door sessions. Work committees concerned are preparing to submit reports on the three chapters—the state, the state structure, and the head of state.

Even before the National Convention was convened, the SLORC had told the delegates they were to guarantee a leading role for the military in Burmese politics. However, the military may not get all their demands, says Larry Jagan, who is currently in Rangoon.

There are reports that, as the closed-door meetings of the work committees continue, more differences over the state structure are emerging. Deliberations are being made as to which zones, areas, and divisions should be granted the right of self-administration. There has been no decision on the states with the right of self-administration and the Wa are reported to be distraught over the matter as they had demanded a separate independent state. They had said that they would not give up arms if they were not given statehood. It is not clear whether they will be satisfied with an offer of the status of a self-administered area.

The issue of self-administered areas would involve a division of the Shan State, and the SNLD, the Shan Nationalities League for Democracy, had strongly protested over the matter. Well-informed sources say that they are expected to raise the problem when they present a report early this month. The problem is expected to become more complicated when the delegate representing Kachin [Kachin Independence Army] 4th Battalion at the National Convention discusses the matter of granting it a self-administered zone within the Shan State. According to well-informed sources, the Kachin delegate is expected to demand a separate and independent self-administered zone within the Shan State. The SNLD is not expected to accept such a demand. As the Kachins have been given a state with the right of self-administration, the organizers of the National Convention are duty-bound to reject the demand.

The Burmese military authorities want to avoid direct criticism against them at the National Convention and they certainly do not like publicity for the main opposition party, the National League for Democracy [NLD]. Both the SNLD and the NLD severely criticized the military administration in their submissions last year. The reports prepared by them have to be submitted to the authorities before their submission to the convention. Each delegate group has to submit its suggestions for approval before submission to the convention.

According to reports in Rangoon, there was a reference during the discussion in the conference hall to the NLD in describing the democratic forces as a spent force of the past; however, the NLD was able to rebut it, saying they are not a spent force of the past. The military authorities were reported to be embarrassed by the incident. It is clear that the military authorities are (?taking measures) to prevent such incidents. [passage omitted]

UNHCR Director, Minister View Rohingya Issue

BK0102145694 Rangoon Radio Burma in Burmese 1330 GMT 1 Feb 94

[Text] The visiting UNHCR regional director called on Lieutenant General Mya Thinn, member of the State Law and Order Restoration Council [SLORC] and minister of home affairs, at the latter's office at 0800 this morning. At the meeting, cordial and frank talks were held on matters relating to the repatriation of those that left [Burma] for Bangladesh.

Minister, Delegation Return From Kunming Visit

BK0202154594 Rangoon Radio Burma in Burmese 1330 GMT 2 Feb 94

[Text] A Myanmar [Burmese] delegation led by National Planning and Economic Development Minister Brigadier General Abel, which visited Yunnan at the invitation of the governor of Yunnan Province of the People's Republic of China to discuss economic and bilateral cooperation matters and to promote bilateral goodwill, returned to Yangon [Rangoon] via Bangkok by air this evening.

The delegation was welcomed at Yangon airport by Lieutenant General Tin U, secretary-2 of the State Law and Order Restoration Council; Brig. Gen. Win Tin, minister of finance and revenue; U Than Aung, minister of cooperatives; Mr. Liang Feng, ambassador of PRC; directors general from the Ministry of National Planning and Economic Development; responsible personnel, and relatives.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Urges Vote Against Sabah Ruling Party

BK0202102194 Singapore THE STRAITS TIMES in English 1 Feb 94 p 19

[By Kalimullah Hassan]

[Text] Beaufort (Sabah)—Prime Minister Datuk Sri Dr. Mahathir Mohamed yesterday kicked off his federal ruling National Front [NF] coalition's election campaign here with a biting attack against his political enemy, Sabah Chief Minister Datuk Joseph Pairin Kitingan.

Dr. Mahathir promised unbridled development and progress for the state if Sabahans reject Datuk Kitingan and his rebel Parti Bersatu Sabah [PBS] in the February 18 and 19 state polls. But he cautioned that the oil and timber-rich state would experience continued economic stagnation if it rejected the NF again. "If you make a wrong choice again, you will have no one to blame but yourselves," he told a crowd of several thousands in this small rural town, 160 km from the state capital, Kota Kinabalu.

Dr. Mahathir, who is campaigning against the PBS for the first time in a state election since 1985, made no bones about what he thought of Datuk Kitingan, a stocky bespectacled native Kadazan lawyer who is seeking a fourth term in office against the might of the NF. Datuk Kitingan and the PBS earned the NF's wrath when they deserted the federal ruling coalition on the eve of general election in 1990 to back an opposition alliance led by former Trade and Industry Minister Tengku Razaleigh Hamzah.

State-federal ties, never comfortable since the PBS came to power in 1985, had deteriorated since then with Dr. Mahathir laying the blame squarely on Datuk Kitingan.

Yesterday, Dr. Mahathir said Datuk Kitingan's conviction on corruption charges on January 17 proved his point that "Pairin just wants to serve his own and his family's interests; not that of the people of Sabah". He said that it was "a shameful thing" for Sabah and Malaysia to have the state led by a chief minister who had been convicted of graft.

Dr. Mahathir's address followed that of normally mild-mannered Sabah NF chief Tan Sri Sakaran Dandai who vowed to "crush the PBS for taking Sabah into economic decline".

The attacks on the Sabah chief minister were a calculated risk by the NF to demolish the "Pairin magic" widely attributed for the PBS continued success in three state polls. Datuk Kitingan is revered by the mainly-Christian Kadazans who form the majority, in about 40 per cent of the 48 elecoral constituencies in the state and enjoys a wide following amongst the other races.

By focusing on his conviction, the NF intends to shatter the Pairin myth and draw support to itself. But some analysts said such attacks ran the risk of drawing greater sympathy for Datuk Kitingan who was perceived by many of his supporters as a political victim when graft charges were levelled against him.

Datuk Kitingan was fined [Malaysian dollar] $1,800, a sentence light enough to allow him to remain as chief minister and lead the PBS.

Dr. Mahathir also touched on the unsound state-federal ties, saying that Kuala Lumpur had no reason to be unkind to Sabahans.

Last week, Datuk Kitingan admitted that investments in Sabah had declined but blamed it on Kuala Lumpur's failure to maintain roads and provide adequate electric supply.

Dr. Mahathir's attacks on Datuk Kitingan and the PBS, telecast live over state-owned Radio Television Malaysia, signal that the coming campaign will see state-federal relations further battered.

Datuk Kitingan himself has taken a tougher stance in the last week attacking the federal government for not providing enough assistance to the state. Dr. Mahathir leaves for Kuala Lumpur later today.

Muslim Sabah Leader To Return, Oppose Mahathir

BK0202134594 Singapore THE STRAITS TIMES in English 2 Feb 94 p 16

[By Kalimullah Hassan]

[Text] Kota Kinabalu—Sabah's seasoned political workhorse, Tun Datuk Mustapha Harun, will return here within the week in bid to wreak political revenge on his former colleagues from the federal ruling National Front (NF). Tun Mustapha, 75, smarting from the rejection of his leadership by his former associates in the United Malays National Organization (UMNO), quit as federal cabinet minister and UMNO member two weeks ago. Although he then announced his intention to retire from politics, his supporters here say that Bapak Tun (Father Tun), as he is popularly known will make it clear on his return that he wants Sabahans to reject the NF in state polls on February 18 and 19.

His followers are planning a hero's welcome for him to rival the large crowds which met Prime Minister Datuk Sri Dr. Mahathir Mohamed on his visit here on Monday. They plan to put up pictures of Tun Mustapha and Sabah Chief Minister Datuk Joseph Pairin Kitingar from the airport to Tun Mustapha's nearby Tanjung Aru house.

The intention is to send a message to Sabahans that Tun Mustapha, still revered by sections of the state's Muslim population, gives his blessings to Datuk Kitingan's Parti Bersatu Sabah [PBS or Sabah United Party], which is seeking a fourth term in office against the might of Dr. Mahathir's NF.

Many Sabahans believe Tun Mustapha still retains considerable influence and could make the difference in marginal constituencies where UMNO is challenging the PBS. His alliance with Datuk Kitingan, his followers believe, will dispel the long-held suspicions of his supporters against the PBS which is fielding three of Tun Mustapha's sons in the elections.

Tun Mustapha and Datuk Kitingan were once bitter enemies but according to one senior civil servant here, who is familiar with Sabah politics, people would not be surprised if the two teamed up. "In Sabah, more so than anywhere else, there are no permanent enemies and no permanent friends in politics," he said. Even Dr. Mahathir alluded to this in his parting news conference yesterday when he was asked to comment on whether he trusted one of the NF's staunchesl critics, former Deputy Chief Minister Datuk Yong Teck Lee. Datuk Yong quit the PBS two weeks ago to form a new party, the Sabah Progressive Party, which Dr. Mahathir accepted into the coalition yesterday.

Dr. Mahathir replied: "In politics, sometimes we fight, sometimes we make friends. Today, we have one opinion, tomorrow, we change to another."

Editorial on Dissolution of Sabah Assembly

BK0202131694 Kuala Lumpur UTUSAN MALAYSIA in Malay 12 Jan 94 p 6

[Excerpts] 1994 should indeed be the year of elections with the Sabah government's decision to dissolve the State Legislative Assembly 18 months earlier than scheduled. The move to dissolve the assembly by Sabah Chief Minister Datuk Pairin Kitingan did not surprise anybody because it had been the talk of the town for some time. It is still interesting, however, to discuss the timing behind Pairin's move to dissolve the assembly and gain a new mandate from the people. [passage omitted]

Politically speaking, Pairin might have believed that the earlier-than-scheduled elections would serve as the most effective weapon against the 17 January court ruling. But looking at the current situation, the wellbeing of the Sabah people seems to be a more urgent matter which requires more attention than Pairin's fate on that day. Having experienced lengthy political upheavals in the past few years, the Sabah people now have the opportunity to think again and ask themselves what they really want from the coming state elections.

The Sabah people should also ask themselves what they want to achieve, namely development and life's prosperity or a struggle still shrouded by irrelevant elements after 30 years of independence. They should be aware of the fact that blind faith and loyalty will bring about dire consequences to their grandchildren's wellbeing.

The Sabah people naturally do not want to live an uncertain life, devoid of political stability and in constant hostility with the central government. They certainly do not want to lag behind other states which are making rapid progress in development programs. We have no idea of Pairin's plan for himself—whether he wants to retire from politics and transfer the party leadership to another person or whether he wants to take part in the coming elections and continue his political life.

In the current situation, the Sabah United Party apparently wants to test the waters and gauge its own strength, described by many observers as declining, before making noises as to whether it wants to rejoin the National Front, which it abandoned in 1990 in a truly unfavorable situation.

Being the backbone of the National Front, UMNO [United Malays National Organization] is certainly very enthusiastic about taking part in the coming Sabah elections as a means to measure its strength in Sabah after it first entered the state in 1991.

Prime Minister Dr. Mahathir's remarks that the National Front is ready to run in all the 48 state constituencies shows that the ruling coalition not only wants to test the waters, but also to wrest Sabah back from the Sabah United Party, which won the elections in 1985. This is not an impossible task.

Cambodia

Hun Sen Claims Capture of Major Khmer Rouge Base

BK0302124894 Hong Kong AFP in English 1214 GMT 3 Feb 94

[Text] PHNOM PENH, Feb 3 (AFP)—Government troops have captured a major Khmer Rouge base at Anlung Veng in northwest Cambodia, co-premier Hun Sen said Thursday. Hun Sen told AFP by phone that government troops were successful in a three-pronged attack on the radical faction's headquarters and the logistics base for guerrilla operations in north and central Cambodia. Hun Sen said ten government soldiers were killed and more than ten wounded in the operation, most by mines.

"One of the prongs moved very fast and had to wait for the other two. But today, the three met together and shook hands in Anlung Veng," Hun Sen said.

Other government and diplomatic sources, however, said they were not sure whether the military had captured the base. But Hun Sen said the Khmer Rouge did not put up much resistance, but dispersed and escaped. The guerrillas were pushed 15 kilometers (10 miles) north of the base and were occasionally firing mortars at the government troops, Hun Sen said.

A high ranking officer, speaking on condition of anonymity, said he thought government troops had occupied part of Anlung Veng. "But we are not sure whether Anlung Veng is 100 per cent liberated or not," the officer said. A Western diplomat said that, while he believed the government was close, he thought the troops were moving slowly because of booby traps and mines.

Possible Khmer Rouge Leadership Purge Viewed

BK0202135494 Phnom Penh PHNOM PENH POST in English 28 Jan-10 Feb 94 pp 1, 8, 9

[By Nate Thayer: "Shakeup in KR Hierarchy"]

[Excerpts] There is a popular adage among Khmer Rouge (KR) cadre: "If you keep a secret a secret, you have already won 50 percent of the victory." As a result of an almost fanatical commitment to keeping secret the inner workings of their organization, almost nothing is known by outsiders about the leadership of one of the world's most resilient guerrilla movements. But two of the KR's most powerful and prominent of their small group of top leaders have been purged over policy differences since the signing of the Paris Peace Accords, the POST has learned.

Ieng Sary—long time member of the Party standing committee, Foreign Minister during the KR rule, in charge of the Party's economic portfolio, and liaison for all Chinese military and financial aid until the Paris Agreements—has been stripped of power in a bitter break within the organization. [passage omitted]

Son Sen—also a member of the Party standing committee, the Minister of Defence, and one of the two official KR members of the Supreme National Council [SNC] set up by the Paris Peace agreements to administer the country prior to election—was relieved of his duties in May 1992 after losing a high level dispute over whether the KR should pull out of the UN organized peace plan. He supported entering into the phase of the peace agreements that called for the four warring factions in June 1992 to demobilize their armies. [passage omitted]

The revelation of Son Sen's dismissal from his position as KR Minister of Defence is particularly important as it is the first firm evidence of high level debate within the leadership over whether to pull out of the UN sponsored peace process and elections in May 1992. [passage omitted]

Purges of senior officials within the KR are of course part of their legacy. Indeed, a majority of the top officials of the KR who came to power in the party and state organs after their 197 victory were executed during their 3 and ½ year rule. There is no indication that disagreements among leaders are resolved by execution in recent years.

Son Sen was days away from being arrested and most certainly executed in late 1978 during the waning days of the KR regime. He was saved ironically, by the Vietnamese invasion in late 1978, according to recent analysis of confessions of other party cadre at Tuol Sleng prison, Cambodia scholar Stephen Heder told the POST.

A former deputy Prime Minister in charge of defence during the KR years in power and an alternate on the Standing Committee, Son Sen is a graduate of the Sorbonne and was a director of one of Phnom Penh's most prestigious universities before fleeing to the "maquis" in 1963. While defence minister throughout the 1980's of the guerrilla army, he began to rise further in influence in 1987 when the KR prepared him for future political role as they prepared for a political solution to the war. [passage omitted]

Son Sen argued, during April and May 1992, that the KR's future also depended on remaining sincere in the eyes of the world for desiring a peaceful, political solution to Cambodia's conflict and participating in a democratically elected coalition government. To pull out would undermine the groups already rock bottom credibility both domestically and internationally which the KR continue to see as vital to reestablishing their ability to play a role in future Cambodian affairs.

This period also marked the dismantling of a carefully developed group of tactical and strategic military alliances with FUNCINPEC [National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia], the KPNLF [Khmer People's National Liberation Front], China, the United States, and other powers. The absence of this decade old alliance, which provided political credibility to the KR cause, left the group dangerously isolated and vulnerable. Some leaders saw a pullout from the peace process as resulting in isolation they believed would cause an unacceptable degree of political damage.

These arguments did not prevail during high level meetings of the leadership held near the Thai border in May 1992.

As a result of his purge, sources say Son Sen went through a period of what appears to be reeducation from June to December 1992, when he is said to have agreed that he had been mistaken in his initial views.

His change of heart came when Sihanouk himself in December 1992 began to publicly condemn the UN operation and indicate that a provisional government should be formed under Sihanouk's leadership and elections perhaps abandoned. Internally, the KR interpreted this as Sihanouk entering into an alliance with them to oppose the UN operation and elections.

Son Sen is expected to play a role in the future in KR political activities, sources say, but his influence remains far less than before and he no longer has a military role.

Ieng Sary's demise came in 1992 after years of friction within the party. He was in charge of foreign relations during the KR rule, and most of the intellectuals who came back to Cambodia after the KR victory in 1975 were under his charge. Hundreds perished, and others, distrusted by the Party, were kept in reeducation camps or virtual prisoners doing menial work in state ministries.

After the KR fled to the jungle in 1979, Ieng Sary caused a major rift within the Party by acknowledging to a journalist the existence of the Tuol Sleng torture center in which at least 16,000 people died—mostly party cadres and their families.

He also appeared to criticize the leadership by saying he was out of the country when certain senior KR officials were arrested and executed. This was seen as a breach of solidarity within the KR who hold firmly to collective decision making that strictly prohibits independent public statements by leaders on political and policy issues. But Ieng Sary had the support of the Chinese, who insisted that all covert Chinese assistance—both military and financial—be passed through him. As a result he was in charge of the Finance portfolio and disbursement of weapons, which gave him significant power. But he is known to have had several disputes with Pol Pot in the late 1980's, and angered many field commanders and intellectuals for his autocratic style and abrasive personality. When the signing of the Paris agreements ended all Chinese direct support to the faction, Ieng Sary's influence diminished.

His headquarters, along the Phnom Malai escarpment on the Thai border, was also the center for KR diplomatic operations and housed the group's intellectuals and their families. Intellectuals, many who hold him in contempt, moved their headquarters and families to another KR base in 1993, further isolating Ieng Sary.

While he still controls a small swath of territory in western Cambodia, he no longer controls significant troops or money, and appears to have been removed from the standing committee. Some sources say he retains an "observer status" on the standing committee. KR sources say that he has permanently lost influence within the decision making structure of the party and army.

While Pol Pot is said to remain in full overall control of the National Army of Democratic Kampuchea and its political wing—the Party of Democratic Kampuchea—through his position as chairman of the Standing Committee of the Central Committee of the Party, there has also emerged a group of younger military commanders and intellectuals who have risen in influence and are being groomed for power.

While the KR officially dissolved their communist party in December 1981, and announced they supported a "liberal parliamentary democracy," most analysts dismissed the claim. They said it was designed to attract united front allies among other Cambodian factions who also opposed the new Vietnamese controlled government in Cambodia. It was also seen as an attempt to draw western political support for a coalition anti-Vietnamese resistance group that formed along the Thai border to wage war against the Vietnamese and their installed government.

Similarly dismissed were KR public announcements in the mid-1980 that the three top ranking members of Party—Pol Pot, Nuon Chea, and Ta Mok—also "retired." Evidence is strong that most of the same "old guard" leadership that comprised the last official standing committee before 1981 remain in control of the organization today continuing to carry out essentially the same functions they have since the late 1970's.

Pol Pot remains a highly effective and respected figure among the top cadres, who view him as the one man who can bridge differences among other leaders. He spends much of his time developing political strategy. He rarely travels to bases and is said to almost never meet cadre under the rank of division commander. Described as a "genius" by his supporters, he is said to be a remarkable orator and occasionally delivers lectures. He still officially holds the title of director of research at a KR military "institute." Many cadre worry that if the 66 year old leader were to die there would be no one to replace him and major infighting could break out within the leadership.

Also remaining in the same position, is the little known Nuon Chea, who has been described as Pol Pot's "alter ego." He fled to the jungle with Pol Pot in 1963, and has made one public appearance since then—in the late 1970's to a Danish communist party. He is in charge of party organization, deputy supreme commander of the armed forces, and number 2 on the standing committee.

It is Ta Mok, the number three on the standing committee, who has seen a significant rise of influence since the Paris agreements. He serves as chief of the general staff of the KR army and military commander of the northern region. But when, in 1992, Son Sen gave up control of 6 Divisions under his control, they fell under the command of Ta Mok, who now controls at least 12 Divisions and is responsible for KR cadre and troops from the northwestern Thai border, throughout the north and the entire eastern region abutting Vietnam. This gives him control of perhaps 70 percent of the KR army and most of the country.

The one-legged commander is of peasant origin and controlled the southwestern military region during the KR years. It was troops under his command who carried out campaigns against "internal enemies," attacks on Vietnam, and arrests of other KR leaders before the Vietnamese invasion. As a result he has earned the nickname "the butcher." But despite his fierce reputation among foreigners and other Cambodians, Ta Mok engenders tremendous loyalty among his forces. His troops are said to [be] well paid, fed, and armed, and their morale remains high and their commitment to the KR cause strong. But as would be natural in any organization with aging leaders, a new, younger group of political and military leaders are currently rising in power within the organization. In 1987, according to KR sources, Pol Pot issued a directive to groom this younger generation of leaders.

On the military side, a group of about 7 commanders—division level or higher—now form a collective committee that proposes military tactics and strategy which is submitted for approval to the standing committee.

In their 40's and 50's, virtually all of this group fled to the jungle with Pol Pot to join the underground revolution between 1963 and 1967. Many were students or teachers in urban areas when they joined the movement, but have spent virtually their entire adult lives in the jungle.

They hold significant power because of the trust given to them by the leadership, and, importantly, because they control "concrete forces." It is these leaders who have long exerted direct control over troops, administer civilians in their "liberated zones", are trained in and conduct "political work" among their rank and file and the peasantry, and disburse funding and oversee economic activity in their zones of control. Their practical experience gives them as much the role of "governor" as military commander in the 20 percent of Cambodia controlled by the KR.

Included in the group of 7 are important family ties as well. So Hong, the commander of Military Zone 1002, is a nephew of Pol Pot and was a senior official in the KR Foreign Ministry during their years in power. Mit Nikorn, who was elevated to the position of commander in charge of all western military forces in 1992 with at least 5 divisions under his command, is the younger brother of Son Sen. And Ta Mok has at least one son and one son-in-law who are powerful division level field commanders.

Family ties play a vital role in Cambodian culture and, consequently, in access to power in Cambodia politics, including the KR. Son Sen's wife is in charge of propaganda for the Party. Ieng Sary's wife, Ieng Thirit, was minister of social affairs during the KR rule and continued to wield significant influence until her decline accompanied her husband's in recent months. She also suffers from ill health.

She, significantly, is also the sister of Khieu Ponnary, Pol Pot's wife until the mid-1980's. Khieu Ponnary suffered a mental breakdown in the late 1980's and was divorced from Pol Pot. He has taken a new wife by which he has two young children. It is generally agreed by observers that the severing of direct family links between Pol Pot and Ieng Sary after the divorce played an important role in the purging of Ieng Sary.

There are three primary power bases that now make up the KR. Aside from the all powerful standing committee and the younger collective of military commanders, there is a group of younger political cadre who analyze, carry out, and formulate political policy for the KR. Made up of about 15 highly educated intellectuals who have been with the movement since the 1960s—and a lesser amount [in] the early 1970's—they have mostly served in KR diplomatic posts and advisors to the top leaders until the Paris agreements.

Many senior intellectuals have quietly left the movement in the 1980's complaining that the organization remained hostile to real change and they were only being used to put an "acceptable face" to the KR.

In Nov. 1992, the KR announced the formation of the Great National Union Party and listed 10 intellectuals as its founding members. Headed by Khieu Samphan and Son Sen, all the men are well known technocrats who have been with the organization since before they came to power in 1975. Its members—all with advanced degrees from European universities—include one lawyer, three economists, one mathematician, four engineers, and an educator.

In the announcement of the new party, there was no mention of the hard-line figures that are said to remain in real control of the party. They announced that the founders of the new party would play the leading role for them in any national reconciliation government that emerged from the peace process.

While dismissed by most scholars and analysts as merely a front group with no real decision making authority independent from the old guard remaining in the jungle, they nevertheless have seen an increase in power and influence as the KR increasingly becomes a political movement. [passage omitted]

Indonesia

U.S. Elected To Chair APEC Budget Committee

BK0302115894 Jakarta ANTARA in English 0942 GMT 3 Feb 94

[Text] Jakarta, Feb 3 (ANTARA)—Representatives of APEC (Asia Pacific Economic Cooperation) member countries at a meeting here Thursday agreed to elect the United States as chairman of the forum's Budget and Administration Committee. The meeting, officially called APEC Senior Officials Meeting (APEC-SOM), is the first of a series of four scheduled to prepare an APEC ministerial conference in November. With the agreement reached at Thursday's meeting, the United States would be the first country to lead the forum's Budget and Administration Committee.

Saodah Syahruddin, an Indonesian delegate to the APEC-SOM, said the United States was one of three nominees for the position. The meeting eventually chose the United States in view of its position as former chairman of APEC's first summit meeting which took place in Seattle in November last year.

Mrs. Syahruddin, who is director of developing countries economic cooperation at Indonesia's Foreign Ministry, explained that the meeting also agreed to make it a convention that the chairman of the last APEC summit meeting automatically becomes chairman of APEC's Budget and Administration Committee for the subsequent term.

This meant that after Indonesia acts as chairman of the second APEC summit meeting scheduled for later this year, it would thereafter also serve as the forum's Budget and Administration Committee leader, she said. Mrs. Syahruddin said delegates at Thursday's meeting earlier considered two other ways of determining who would lead the Budget and Administration Committee.

One proposal would have the chairman of a coming APEC summit become the committee leader. The other would require the chairman of the committee to be appointed based on an election held annually. "But finally, all participants agreed that the chairman of the last APEC summit meeting should serve as chairman of the committee. This will be a permanent procedure," she said.

Mrs. Syahruddin also said APEC will not admit new members during the next three years. The question of admitting new members would be studied first, she added. Currently APEC has 17 members, namely the six countries grouped in ASEAN—Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, plus Australia, Canada, New Zealand, China, Taiwan, Korea, Hongkong, Papua New Guinea, Japan, the United States, and Mexico. At the Seattle summit, it was agreed that Chile would be admitted as a member at the summit due to be convened in Indonesia next November.

The APEC-SOM meeting opened last Wednesday and will end on Friday. It is being attended by officials of its member countries and three observers.

Chemical Weapons Treaty Ratification by Year End

BK0302140394 Jakarta ANTARA in English 0802 GMT 3 Feb 94

[Text] Jakarta, Feb 3 (OANA-ANTARA)—Indonesia is planning to ratify the prohibition of chemical weapons convention by the end of 1994, a senior Foreign Ministry official announced.

Hasan Wirayuda, the ministry's director of International Organization Affairs, told a press conference here Wednesday: "The House of Representatives will have to discuss this matter before okaying the plan and hopefully the discussion can be completed by the end of this year."

Wirayuda said that Indonesia had taken part in tough international negotiations on the phasing out of chemical weapons since they began in 1980 up to their conclusion in 1992 although Indonesia did not possess chemical weapons.

He added that Indonesia's participation, which manifested the country's concern for national and regional security, was significant because it was the largest country in Southeast Asia and now chairing the Nonaligned Movement.

Vested with such national, regional, and global responsibilities Indonesia had no option but become a party to the convention, a position enabling it along with the international community to strive after the abolition of chemical weapons, and supervise the ban on their proliferation through the convention's system of verification, he said.

He added that Indonesia had formed an interdepartmental committee assigned to prepare for the ratification. The committee was made up of representatives of the Ministries of Industry, Defence and Security, Trade, and Health, the Armed Forces Headquarters, the Agency for the Assessment and Application of Technology (BPPT) and the surveyor company Surveyor Indonesia Co. Ltd.

The visiting executive secretary of the Provisional Technical Secretariat, Organization for the Prohibition of Chemical Weapons (PTS-OPCW), Ian Kenyon, meanwhile has welcomed Indonesia's plan to ratify the convention. At present, only four of its 154 signatory countries had ratified it.

Signatories to the convention to date were the United States, Russia, all Western European countries, all former socialist counrties in Eastern Europe, and a number of Latin American and Asian countries, Wirayuda said.

Minister: No 'Offensive Designs' in Arms Purchases

BK0202075194 Jakarta ANTARA in English 0524 GMT 2 Feb 94

[Text] Jakarta, Feb. 1 (ANEX-ANTARA)—Defense and Security Minister Edi Sudrajat said that arms purchases being made by some Southeast and East Asian countries were not motivated by offensive designs.

"So far, we do not think that certain countries in Southeast and East Asia which recently acquired new armament, have a tendency to be offensive. But I have no idea about what will happen to (?them) 20 years from now," the minister told legislators here on Tuesday. The retired general said that the arms purchases were only intended to replace old weaponry and to keep up with new technology.

"Just like us, we bought a few F-16 fighters with the purpose of keeping abreast of new technology," he said, adding that the number was actually far from sufficient compared with Indonesia's concrete defence needs. Sudrajat said that rapid economic growth in the two regions was among the major factors that had prompted the arms purchasing actions.

He said that some East European as well as Central Asian countries were very aggressive and innovative in offering products of their weapon industries. "Although in technological terms the arms they offer cannot compete with those made by Western countries, some Asian countries with limited funds for armament seem very interested in the East European and Central Asian products," he added.

The minister rejected the suggestion that the arms purchasing activity of the Southeast and East Asian countries amounted to an "armament race."

During the hearing led by the chairman of the commission dealing with security affairs, Mrs. Aisyah Amini, the minister also touched on the "single majority concept" which had of late become a widely-debated topic in the country.

East Timor Leader May Be Moved to New Jail

BK0202075594 Jakarta ANTARA in English 0528 GMT 2 Feb 94

[Text] Jakarta, Feb. 1 (ANEX-ANTARA)—Former East Timorese separatist leader Xanana Gusmao may be moved from his present jail in Jakarta to a prison on isolated Nusakambangan Island "if all conditions for the transfer are met," a senior law-enforcing official said Tuesday.

Deputy for intelligence to the attorney general Sukarno was commenting to newsmen about public suggestions that Gusmao should be held in a more isolated place after he recently succeeded in sending a letter overseas protesting his sentencing by an Indonesian court of justice.

"If all conditions for such a transfer are met, we can move Xanana to Nusakambangan Island," Sukarno said after attending a ceremony marking the installation of a number of new officials at the Attorney General's Office. Sukarno, however, did not clarify what the conditions were. Gusmao is currently serving a 20-year sentence in Jakarta's Cipinang penitentiary.

He was tried and sentenced to a life-long jail term by a court of justice in Dili, East Timor's provincial capital, for acts of armed rebellion committed since 1976. President Suharto, however, later used his power of pardon to reduce the sentence to 20 years.

Sukarno said even if Gusmao was actually moved to Nusakambangan, he would continue to be allowed to send letters abroad. Nusakambangan, an island off the coast of Cilacap on the southern coast of Central Java Province, is the location of a maximum security prison usually reserved for convicts serving long sentences. Sukarno also categorically denied rumours alleging that Gusmao would eventually be freed before completing his jail term. "Don't believe this hearsay. We have no plan at all to set him free," he said.

East Timor is the youngest Indonesian province. It was colonized by Portugal for 450 years before it integrated with Indonesia in 1976.

Philippines

Communists Said to Threaten IMF, World Bank

BK0302034494 Hong Kong AFP in English 0239 GMT 3 Feb 94

[Text] MANILA, Feb 3 (AFP)—Communist assassins have threatened to target representatives of the International Monetary Fund (IMF), the World Bank and the Philippine government's Energy Regulatory Board (ERB) unless a recent hike in oil prices is reversed, newspapers reported here Thursday.

The newspapers quoted spokesmen of the Alex Boncayo Brigade (ABB), the urban assassination squad of the insurgent New People's Army (NPA), that they would target representatives of these three groups unless President Fidel Ramos reversed a 22 percent increase in the prices of fuel products.

The formerly-dormant ABB, which killed over 200 soldiers, policemen and civilians in Manila from 1987-90, earlier claimed responsibility for the bombing of the offices of three oil companies in this city on Tuesday. The ABB said the bombings were intended to protest the oil price hike imposed last Friday. The ABB added that if the government agreed to reverse the oil price hike, they in return would agree to open peace talks with the government.

The Communist Party of the Philippines, the political leadership of the NPA, is already considering peace negotiations with the Ramos government, but talks have been stalled by numerous conditions imposed by the insurgents.

Meanwhile, an anti-Ramos newspaper, in an editorial published Thursday, called on the assassins to target local officials and not foreigners. The Today, a broadsheet which began publishing just last month, in reaction to the ABB's threat said: "Do we have to remind the ABB that native insurgencies are supposed to kill native officials, not foreign civilians or diplomatic personnel?" The newspaper said that attacking foreigners would only scare away foreign investment and would only give the Ramos government justification to crack down on civil liberties, "so it can steal in peace and stay in power."

The newspaper also said that the ABB "doesn't have the discrimination and the balls to tackle its proper enemy—the government and its officials." "What a pity. Yet another golden opportunity to prove the ABB's usefulness thrown out the window," the editorial concluded.

Military Rebels Seek Releases Before Talks Resume

BK0302092194 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 3 Feb 94

[Text] The peace talks between the government and the RAM/SFP/YOU [Reform the Armed Forces Movement/Soldiers of the Filipino People/Young Officers Union] will continue to be suspended unless six of its detained members are released. This was revealed by RAM/SFP/YOU spokesman General Edgardo Abenina. Abenina said that the continued detention of its members is a violation of the agreement made between his group and the government last 22 December 1992. The agreement states that all members of RAM/SFP/YOU will be freed temporarily while their cases are still being heard. Abenina, however, expressed hope that the government is sincere in its peace initiative. Abenina added that the government is not clear on the procedures it is implementing for the peace talks.

NDF Willing To Resume Talks With Government

BK0302083794 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 3 Feb 94

[Text] The National Democratic Front [NDF] today reiterated that they will remain open for the resumption of the peace talks with the government. Nevertheless, Luis Jalandoni of NDF emphasized that the peace talks should not be limited by an executive order. Jalandoni said that the Hague Declaration should be the guide for the talks. As in the previous statements, however, the government panel stressed that Executive Order 125 issued by the government is in accordance with the Constitution, which sets limits on any peace talks undertaken by the government.

Thailand

Official Views GATT Impact on Local Industries

BK0302091094 Bangkok THE NATION in English 3 Feb 94 p B1

[Excerpts] The head of the investment promotion board yesterday expressed confidence that Thai industries will survive even though the government has had to alter its promotional programme to comply with a multilateral agreement reached in the Uruguay Round of trade talks.

In compliance with the terms of the Trade Related to Investment Measures (Trims) agreement which was developed under the auspices of the General Agreement on Tariffs and Trade (Gatt), the Board of Investment (BoI) is among other things cancelling the export privileges it granted to manufacturing plants located in investment Zone 2 within five years of the enactment of the Gatt agreements.

In order to retain their privileges they will have to relocate their plants from Zone 2 covering 10 provinces in the central region, to more remote areas in Zone 3.

During an interview yesterday Sathaphon Kawitanon, BoI secretary-general, discounted concerns about local industries. He believes the local industries should be strong enough to stand on their own feet. Moreover, BoI is considering a reformulation of the tariffs charged to the local auto-assembling industry, along with a BoI plan to make industry-wide the tax treatment granted as an exception to the Mitsubishi assembly plant. [passage omitted]

Sathaphon said in 1985 the BoI had to introduce the investment incentives to promote foreign investment in order to boost the export substitution industry and the local economy after the devaluation of the baht. He said the current situation does not require such government incentives, however, because local industries have gained wider economies of scale.

"The export requirement is no longer necessary," Sathaphon said. He noted, however, that the government might have to maintain the export requirement in certain industrial sectors.

The new wave of Japanese investment is likely to be aimed at supporting industries, he said. The Board of Investment has forecast that American and Japanese investors are likely to focus on the automobile industry.

He said the Board of Investment, therefore, plans to grant more incentives to the automobile industry. Officials have already completed a draft reformulation of a new tariff structure for the industry, but Sathaphon declined to elaborate on the plan.

Sathaphon said only that the continuation of the privileges would depend on key determinants such as proper tariff rates for the auto-assembling industry and the differences between investment conditions for plants under the BoI plan and plants without investment privileges.

Sathaphon predicted that the next wave of Japanese industrial investment will be mainly in small- to medium-size plants, because all the major Japanese producers already have plants in Thailand.

He added that last year Japanese investments in Thailand were greater in value than their investments in any other country in the Association of Southeast Asian Nations.

The recession in Japan should not have a major impact on its investment in Thailand, as "during the peak period, Japanese investments here accounted for only two per cent of total Japanese investment," he said.

Vietnam

Government 'Welcomes' Anticipated End to Embargo

BK0302105594 Hanoi Voice of Vietnam in English 1000 GMT 3 Feb 94

[Text] Senior officials in the U.S. Government have been quoted in media predicting President Clinton is to sign a decree putting an end to the 30-year-long economic sanction against Vietnam. During a meeting with the U.S. President, political leaders have given support for the lifting of the embargo.

Meanwhile in Hanoi, American businessmen are hoping the embargo will lift soon. Thirty American companies have set up representative offices in Hanoi and waiting for permission to operate.

The spokeswoman of the Vietnamese Foreign Ministry Ms. Ho The Lan said she welcomed the lifting of the embargo against Vietnam by U.S. President Clinton on Friday 4th February as rumors said. Answering questions by correspondents of Reuter, KYODO, and of Australia at the regular press conference in Hanoi on

Thursday, Ms. Ho The Lan said: The abovesaid event is suitable with the reality, aspirations of peoples of the two countries, and the world community, and is awaited by public opinions in recent days.

Ms. Ho The Lan said Vietnam always welcomes all companies from the United States as well as from other countries to invest in Vietnam on the basis of equality and mutual benefit. She said at present, both American and Vietnamese experts were now reviewing the results of the 27th joint search of the American servicemen missing in action. They are now preparing to return the remains to the U.S. side on 7 February. The 28th search will be carried out next week in the North, Central, and South Vietnam. Vietnam and the U.S. are now arranging for the coming meeting between the two countries to settle the property of both sides. The meeting will be held in Hanoi on 15-16 February. Ms. Ho The Lan pointed out that this would be a necessary step on the road to broaden contact towards the normalization of relations between the two countries.

[Hong Kong AFP in English at 0934 GMT on 3 Feb in a similar Hanoi-datelined report adds: "But Vietnamese Foreign Ministry spokeswoman Ho The Lan did not welcome a State Department report criticizing Vietnam's human rights record, telling a regular press briefing that the report was 'not objective.'

"'I will applaud if President (Bill) Clinton decides to lift the embargo,' Lan said. 'It will be good not only for Vietnam and the United States, but for the whole international community.'

"'We always welcome companies of the US and other countries to invest and do business in Vietnam on the basis of equality and mutual benefit,' Lan said.

"In another sign of progress toward normal relations, Lan said a US-Vietnamese meeting to discuss the restitution of assets seized by the two sides at the end of the war had been tentatively scheduled for February 15-16 in Hanoi.

"'Washington and Hanoi still appear to remain far apart on human rights, however, with Lan making clear that Vietnam considered the issue its own business. Despite untold difficulties, the Vietnamese government has made great efforts in better facilitating citizens to better exercise their economic, social and cultural rights as well as civil and political rights,' she said.

"'Against the background of such efforts, the annual report by the State Department issued February 1 is not objective.'"]

Further on Ho The Lan Comments

BK0302133594 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 3 Feb 94

[Report on Foreign Ministry spokesman's news conference in Hanoi on 3 February]

[Text] In Hanoi on 3 February, the SRV Foreign Ministry spokesman Mrs. Ho The Lan held a regular news conference with the participation of a large group of domestic and foreign reporters.

Regarding the rumor that the U.S. will lift its trade embargo on Vietnam, Mrs. Ho The Lan said:

[Begin Ho The Lan recording] A REUTER correspondent asked: Does Vietnam expect the United States to lift the embargo in the near future? And does Vietnam want President Clinton to take action in line with the 27 January U.S. Senate vote in favor of lifting the embargo? Moreover, correspondents from the Australian ABC, ITAR-TASS, and KYODO asked about Vietnam's reaction to the CBS and CNN reports on 1 February that President Clinton has decided to lift the embargo against Vietnam and that an official announcement will be made on 4 February. In answer to these questions, I would like to repeat that in recent days there were many rumors about the United States planning to lift the embargo soon. I would like to say that I would welcome President Clinton's decision to lift the embargo on Vietnam because it is a decision that suits the actual situation and the aspirations of the two peoples and the world community, and it is a decision that is expected by world public opinion. I also received a telophone call from a NEW YORK TIMES correspondent asking whether lifting of the U.S. embargo would be good news to Vietnam and the United States. I answered that it would be good news, because it is not only good news for both Vietnam and the United States but for the entire world community, too. The same correspondent further asked if, following the lifting of the embargo, U.S. companies would be welcomed in Vietnam. I answered that Vietnam always welcomes U.S. companies and those from other countries to do business and invest in Vietnam on the basis of equality and mutual interests. [end recording]

At the same news conference, correspondents from AFP, REUTER, and ITAR-TASS asked about Vietnam's reaction on the U.S. State Department report on human rights dated 1 February. The Vietnamese Foreign Ministry spokesperson said that to ensure human rights in each nation is the authority and responsibility of that country. In Vietnam, although the country is facing numerous difficulties, the Vietnamese Government has made great efforts to satisfactorily ensure the Vietnamese citizens' rights in the economic, social, cultural, civil, and political domains. Based on our efforts, I may say that the 1 February U.S. State Department report on human rights was not objective enough.

Correspondents from ITAR-TASS and the VIETNAM INTERNATIONAL RELATIONS journal asked for comments on the news report that China and Taiwan are cooperating in exploring areas around the Spratly Islands and that Taiwan has planned to build an airport, a seaport, and a lighthouse in area of these islands; our Foreign Ministry spokesperson said: The Spratly and Paracel Islands belong to Vietnam, and as a result, Taiwan's bilateral act has violated Vietnam's sovereignty and has further complicated the situation in the region.

Cooperation Pact Signed With Kazahkstan

BK0302042994 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 2 Feb 94

[Text] At the invitation of the Government of the Republic of Kazahkstan, Foreign Minister Nguyen Manh Cam paid an official visit from 30 January to 1 February.

During his vivit, the foreign minister was warmly received by Vice President Asanbayev and Prime Minister Tereshchenko. He also met with Foreign Minister Suleymenov and held working sessions with officials of the Ministries of Economy and Foreign Economic Relations.

On behalf of the two governments, the foreign ministers signed an economic and trade cooperation agreement. The two sides also agreed to accelerate agreements on investment encouragement and protection, double taxation avoidance, and other agreements in order to promote development of long-term and fruitful relations.

Vietnamese Ambassador Nguyen Van Dac also participated in activities of the visiting delegation.

More on Vo Van Kiet Interview on Thrift, Corruption

BK0202150394 Hanoi VNA in English 1448 GMT 2 Feb 94

[Text] Hanoi VNA Feb. 2—It's time to launch a nationwide campaign for practising thrift and fighting public property embezzlement, and wastefulness, says Prime Minister Vo Van Kiet in a recent interview to VIETNAM NEWS AGENCY.

Premier Kiet recalled the Vietnamese people's tradition of industry and thrift. He stressed that to practise thrift and fight against public property embezzlement and wastefulness have become ever more urgent in Vietnam, a poor country which is fighting against the danger of lagging behind others in the region, and which needs economic accumulation for its own industrialization and modernization.

The prime minister said he himself and many others worried about the situation such as capital construction whose wasteful expenditures and losses accounted for at least 10-20 per cent of its capital. He called for stepping up the on-going nationwide a campaign for practising economy and fight against public property embezzlement.

He also recalled the government's responsibility in working out, and guiding the implementation of policies encouraging thrift practice and embezzlement prevention. The authorities at all levels should work out concrete and practical plans of action for thrift practice and embezzlement prevention in state institutions, enterprises and in society as a whole, the prime minister stressed.

Minister Hails Air Force Regiment, Shootdowns

BK0302120194 Hanoi Voice of Vietnam Network in Vietnamese 2330 GMT 2 Feb 94

[Letter of greetings from Minister of National Defense Doan Khue to the Sao Do Air Force regiment on its 30th anniversary; date not given—read by announcer]

[Text] Dear comrades: On the occasion of the 30th glorious anniversary of the Sao Do [Red Star] Air Force regiment, the first jet fighter unit of the Vietnamese People's Air Force, on 3 February, I cordially extend my solicitous regards and warmest greetings to all personnel of the regiment, including cadres, combatants, civilian national defense employees, war invalids, sick soldiers, families of fallen heroes, retired comrades, and those comrades who have been on detached service to civilian sectors.

After 30 years of unit building, growth, combat, and glorious victory led by the glorious Communist Party of Vietnam, solicitously cared for by esteemed Uncle Ho and helped and assisted by the people, various generations of cadres, combatants, and civilian national defense employees of the regiment have constantly developed the character and glorious tradition of the Vietnam People's Army as well as the tradition of the heroic Vietnamese Air Force. They have always remained united and singleminded and have resourcefully and bravely overcome all difficulties, hardships, and tough ordeals.

They are noted for having invented many wise and audacious combat tactics and for having defeated the enemy right from the first battle, shooting down many of their modern airplanes and scoring countless outstanding combat expoits during aerial battles, thus contributing duly to the causes of national liberation and unification and of building a socialist Vietnamese fatherland.

In whatever conditions, junctures, and situations the cadres and combatants of the regiment have always strived to display the lofty qualities of Uncle Ho's soldiers. The regiment therefore deserves the title of Heroic Unit of the People's Armed Forces and the many other lofty awards given to it by the state and the Armed Forces.

I would like to avail myself of this opportuniry to commend the regiment for the many achievements it has scored over the past 30 years.

I wish you, comrades, good health and more outstanding achievements in the new revolutionary stage so as to eternally deserve the trust and love of the party, the people, and the Armed Forces.

My cordial and determined-to-win salutations.

Australia

Keating To Support UN Sanctions on DPRK

BK0302062794 Melbourne Radio Australia in English 0500 GMT 3 Feb 94

[Text] The Australian Government has declared it would support United Nations sanctions against North Korea if Pyongyang remains intransigent on the nuclear issue. Australia's prime minister, Paul Keating, has described the matter as of the highest security significance to Australia and the region, renewing an appeal to North Korea to cooperate with international inspection requirements to nuclear facilities.

In the national Parliament in Canberra, Mr. Keating said Australia had been most concerned by North Korea's statement last Monday threatening to set aside an earlier promise not to withdraw from the Nuclear Nonproliferation Treaty. He said any proliferation of nuclear weapons on the Korean peninsula would pose a grave threat to the security of the Asia-Pacific region. It would also profoundly complicate Australia's security planning and that of other countries in the region, Mr. Keating said, adding it also risked the spread of such weapons to other presently nonnuclear states:

[Begin Keating recording] Australia remains committed to dialogue and negotiation to resolve this problem, Mr. Speaker, but the international community cannot permit continuing North Korean intransigence. If no agreement is reached before the meeting of the IAEA [International Atomic Energy Agency] Board of Governors later this month, the matter is likely to be referred to the United Nations Security Council. It should be clear that under those circumstances, Australia would support any action imposed by the Security Council, including sanctions. [end recording]

Evans Urges U.S. To Maintain UN Commitments

BK0302021194 Melbourne Radio Australia in English 0100 GMT 3 Feb 94

[Text] The foreign minister, Gareth Evans, is urging the United States not to downgrade its commitment and contribution to the United Nations. Senator Evans says a bill before the American Congress seeks to reduce its support for UN peacekeeking operations and cut funding to the organization. He says as the UN's 50th anniversary approaches, Australia must make every effort to pressure America to maintain its support:

[Begin Evans recording] But after the lessons of Somalia and the lessons we are still seeing working themselves out in the former Yugoslavia, I believe very strongly that the United States should join the international authority as a whole in making a thorough review of how the UN decides and manages resources for its peace operations, rather than being tempted to step away from the organization. [end recording]

Evans Plans Increased Focus on Indian Links

BK0302071594 Melbourne Radio Australia in English 0100 GMT 3 Feb 94

[Text] Australia is stepping up efforts to strengthen commercial links with India—the key focus on a meeting in Sydney tomorrow of the Australia-India Joint Ministerial Commission. It is the third meeting of the commission since its inception in 1989 and will be proceeded by talks today between the visiting Indian state minister for commerce, Kamaluddin Ahmed, and Australia's new trade minister, Bob McMullan.

A business delegation is accompanying Minister Ahmed in Australia. The commission meeting will be the first bilateral talks between Australia and India since the conclusion of the Uraguay Round of the GATT and comes as India continues economic reforms.

Radio Australia's Canberra's office said Australia's foreign minister, Gareth Evans, is wanting to increase the focus on India with a major report due soon from Minister Evans' department.

Canberra Condemns Attack on Citizen in Algeria

BK0202063894 Melbourne Radio Australia in English 0500 GMT 2 Feb 94

[Text] The Australian Government says it condemns in the strongest possible terms an attack in Algeria in which a Frenchman was killed and an Australian injured. French cameraman (Olivier Kenana), age 34, died in the incident and his Australian collegue (Jeff Allan White), age 35, was shot in the back of the head. He is in a serious condition in a hospital.

Algerian officials said the two men were attacked by suspected Muslim fundamentalists while filming in the Kazbah district of the capital, Algiers. [They were] there are on an assignment for the American broadcasting company. The foreign affairs department said Australia has diplomatic representation in Algeria but a British diplomat will visit Mr. (White) tomorrow. The French Government has also condemned the attack.

Fiji

Rabuka Launches Campaign, Seeks National Unity

BK0302035894 Hong Kong AFP in English 0344 GMT 3 Feb 94

[Text] Suva, Feb 3 (AFP)—Fiji's mercurial prime minister Sitiveni Rabuka appears to have reversed his opposition to any future political alliance with ethnic Indians, announcing here that he now wants to work closely with them. Launching his Soqosoqo ni Vakavulewa ni Taukei (SVT) party campaign in English before an audience of about 40 people late Wednesday, he said he wanted to promote national unity. Observers said this could mean bringing Indians into his cabinet if he emerged the winner in the upcoming election.

"On the promotion of national unity, we will build on the very successful start we have made on inviting the participation of the Parliamentary Opposition in the work of the Cabinet sub-committee on the review of the constitution," he said.

He promised a future Rabuka government would extend this to the Agriculture Land and Tenant Act (ALTA) which makes decisions about Fijian-owned land leased to predominantly Indian canegrowers.

One of the demands of the Indian opposition groups is for scrapping the racially-based 1990 constitution which gives indigenous Fijians a permanent majority of 37 in the 70-seat House of Representatives. Rabuka told an SVT political rally here Monday that he would not form a coalition with an Indian party if the SVT won a majority the Fijian seats. However, he reportedly told local reporters Tuesday he would keep the door open to alliances with other political parties to keep alive his concept of a government of national unity proposed in November 1992.

The ALTA, established in 1966, is a sensitive issue here. Fijians want it abolished so they can get their land back when leases expires, but Indians favour it because it protects their rights to the land. The land issue has become a political football because Indian cane farmers do not own their own land but have to lease it from indigenous Fijians who own 83 percent of the land. Sugar is the backbone of the economy earning about 260 million Fijian dollars (170 million US) annually in foreign exchange. It is exceeded only by tourism which brings in more than 328 million Fijian dollars.

Rabuka said he would work with the opposition to establish parliamentary select committees to look into problems faced by the Indians, outlining an eight-point plan which he said a Rabuka government would implement.

Among other measures, cabinet ministers would not be appointed on a provincial basis but on merit, the government would proceed with a promised review of valued added tax (VAT).

It would also weigh the relative advantages of deregulation to consumers of free and open importation with the need to protect local producers and manufacturers.

Rabuka-Indian Opposition Coalition Ruled Out

BK0102122294 Hong Kong AFP in English 1150 GMT 1 Feb 94

[Text] SUVA, Feb 1 (AFP)—Any prospect of a coalition after next month's election between between Fiji's governing Soqosoqo ni Vakavulewa ni Taukei (SVT) and the Indian dominated opposition has been ruled out by both sides, former opposition leader Jai Ram Reddy made clear Tuesday.

SVT leader and outgoing Prime Minister Sitiveni Rabuka told a political rally here Monday he would not entertain a coalition with an Indian political party if his party won the general election. Rabuka blamed a "bad experience" with the Indian-dominated Fiji Labour Party (FLP) after the 1992 general election, when it supported his candidacy for the prime ministership.

Rabuka said FLP leader Mahendra Chaudhry had made uncompromising demands on the SVT which he later could not honour. These included the review of what Chaudry described as the "racist 1990 Constitution" which gave indigenous Fijians a parliamentary majority of 37 seats in a 70-seat House of Rpresentatives and the abolition of a value added tax (VAT).

National Federation Party (NFP) leader Jai Ram Reddy responded sharply Tuesday saying it was Rabuka who had talked about coalition with the NFP in the past. Reddy, who was leader of the opposition in the last House of Representatives, had supported Rabuka's plan for a government of national unity announced in November 1992. A committee of which Reddy was a member sat on several occasions to look into the issue but nothing eventuated.

In his response Tuesday, Reddy said in a statement that his party's priority was "to secure as many Indian seats as possible and to press for the review of the 1990 Constitution through dialogue with the Fijian leaders." Reddy said he had repeatedly warned since 1992 of the dangers of becoming locked under the present constitution into a coalition which he said could become "embarrassing if no progress was made on the review (of the constitution) satisfactory to the party."

It was therefore academic for Rabuka to rule out a coalition with the NFP, Reddy said. "The NFP has no intention of repeating the mistake that the Fiji Labour Party made in 1992," he added.

New Zealand

Australian Frigate Purchase Termed 'Dud Deal'

BK0302010794 Hong Kong AFP in English 2341 GMT 2 Feb 94

[Text] WELLINGTON, Feb 3 (AFP)—The cheap British sale of six second-hand navy frigates to Pakistan illustrated that New Zealand was committed to a "dud deal" in having to buy two expensive new frigates from Australia, a government member of parliament, Nick Smith, claimed here Thursday.

A previous Labour government committed New Zealand to buying two Australian-built frigates at around 600 million New Zealand dollars (334 million US) apiece. There is also an option on a third vessel to replace the four aging frigates which make up the navy's front line.

Smith earlier said the Royal Navy had sold six Type 21 Amazon frigates to Pakistan at a cost of only one million pounds sterling (668,000 US dollars) each. "This shows what a dud deal we are getting in paying over 600 million dollars each for the Anzac frigates," he said.

But Defence Minister Warren Cooper said Smith's comments showed "all the brilliance of hindsight. When the decision was taken in the late 1980s to go ahead with the Australia-New Zealand frigates project, there were no suitable ships being offered, including those now sold to Pakistan. "There is little to be gained by claims of Rolls Royce solutions when second-hand ships were simply not on the market back then," Cooper said.

He noted the Australian deal was signed by the administration of Prime Minister David Lange which had also cut military ties with the United States through its ban on nuclear armed or powered warships. "We've got a ship in the New Zealand Navy that was given to us by the Americans. If we had a better relationship with the Americans they would replace that ship for nothing. We know that. We've cut off our options," Cooper told Radio New Zealand.

He said if second-hand ships were considered it was necessary to know what was on them. "While I've been Minister of Defence I've had at least six people come to me as agents for what we could call grid military equipment. They've been acting out of Russia, particularly because the Russians seem to have all that equipment.

"They've wanted to sell us helicopters and aircraft carriers, and I had to be pretty careful that I wasn't in the situation where I had to ask the taxpayer to pay for big capital works programmes when we could find things that were available off the shelf, maybe a few years old, so we could put them in the defence forces. I made absolutely certain there weren't bargains out there that we could use that we were denying ourselves," Cooper said.

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